

Current History

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Latin America, 1972

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Current History

FEBRUARY, 1972

VOL. 62, NO. 366

How are the nations of Latin America faring in the unsettled atmosphere of the 1970's? In this issue, eight articles discuss the strengths and weaknesses of eight of the nations south of the United States colossus. Discussing Brazil, our first article notes that "Brazil's military leaders are obsessed with the urgent need for development, not only of the economy—although that is indispensable—but overall development that will permit their country to take its place in the community of world powers by the end of this century."

Brazil: New Model for National Development?

BY ROLLIE E. POPPINO

Professor of History, University of California at Davis

SEVERAL DISTINCT, if incompatible, impressions of Brazil might be formed from a perusal of the published accounts available to the American public in 1971. One of these is clearly a picture of a nation undergoing rapid economic growth which appears to occupy the entire energies and attention of much of its population. At the same time, it is evident that the revolutionary rhetoric of recent years has been toned down, and the reader cannot escape the impression that a political calm prevails where agitation was long the norm.

The Médici administration, which took office in October, 1969, continues to identify with the movement that overthrew João Goulart, but it stresses its own programs of national and social integration rather than the goals of its predecessors. Political authority and initiative rest with the President. The formerly vociferous Congress is discreet; state governors are silent; and remarkably little

jockeying for position in the next presidential race, three years away, has come to public attention. After a decade of crises that brought them four Presidents, two constitutions and one self-proclaimed revolution, the Brazilian people appear to have settled down politically, but whether from exhaustion, contentment or a sense of futility is not clear.

In attempting to explain this phenomenon, the enemies and defenders of the Médici government add to the confusion by projecting irreconcilable images of Brazil. It would appear that there are two Brazils, occupying the same space but otherwise unlike in every important respect. In the radical press, one reads that Brazil is an oppressed land where human rights do not exist. Torture, they say, is routinely employed against the victims of a fascist military dictatorship that is busily selling out the country to foreign capitalistic imperialism. Glimpses of this Brazil may occasionally be seen in leading United States

newspapers and in the *Congressional Record*. On the other hand, the reader is assured in official Brazilian press releases that Brazil is perfecting her own style of democracy while engaged in a dynamic effort to realize the full potential of her human and physical resources, and that under a system of free enterprise she now rivals even Japan in rate of economic development. Variations on this theme—often with reservations about the nature of Brazilian democracy—have been widely circulated by news media in the United States and have been recorded in congressional debate. The bewildered reader exposed to such contradictory views of Brazil is left largely to his own prejudice in deciding which is least distorted. He may be certain, however, that each has some basis in facts that proponents of the opposite view choose to ignore.

Those who denounce the present regime in Brazil for its denial of civil rights have the benefit of a growing accumulation of evidence to support their position. In February, 1971, the National Council of Brazilian Bishops, which has steadfastly insisted upon irrefutable proof of charges of torture in Brazilian jails, publicly observed that "the phenomenon of tortures, unfortunately, exists in our country."¹ Spokesmen for the opposition party, the Brazilian Democratic Movement, have repeatedly and publicly lamented the fact that Institutional Act No. 5, of December, 1968, is still in force. This extra-constitutional law suspends habeas corpus in cases of political crimes and crimes against national security. Under its sanctions, a suspect may be arrested, interrogated and jailed for an indefinite period without having formal charges brought against him and without recourse to legal counsel. The Médici administration has hinted that it may no longer require the extraordinary powers conferred by Institutional Act No. 5, but it has not relinquished them.

Outside Brazil, some Brazilian exiles and their foreign friends have sought to catalog the various forms of torture employed by

military and civil police, to document specific cases of police brutality, and to give the widest possible publicity to the death or disappearance of persons held in police custody in Brazil, asserting in each instance that these were victims of torture. They have also pointed to the government's refusal to permit an international agency to inspect conditions in Brazilian prisons as evidence of its complicity in the inhuman treatment of political dissidents.

The Médici regime is extremely sensitive to such criticism, but has not responded overtly to it, nor has the government taken formal action against officials identified by the exiles and other critics abroad as torturers. The administration continues to deal harshly with terrorists and to insist that the so-called political prisoners in Brazilian jails have been tried and found guilty of ordinary crimes. Nonetheless, the recent release from prison of Caio Prado Junior and other vocal opponents of the regime, whose convictions were reversed by the courts, suggests that the Médici government may be taking a more relaxed attitude toward non-violent political opposition.

The position of the exiled critics and of the tiny minority of left-wing extremists within Brazil has become untenable. Their Marxist-Leninist phraseology not only restricts the audience that will listen to their appeals, but strengthens the regime's convictions that the propaganda campaign against it is the work of Communists. Their call for a "war of national liberation" to overthrow the government seems to strike most Brazilians as either undesirable or foolhardy. The masses ignore them, and the many Brazilian liberals who deplore police brutality and would prefer a more open political system are by no means desperate enough to turn to a Marxist solution to Brazil's political problems. Those who would replace what they deem a fascist dictatorship with a dictatorship of the proletariat are understandably frustrated by the apathy of the Brazilian populace and by the ability of the government to destroy the various bands of rural and urban guerrillas operating since 1968. The terrorist campaign has

¹ *Times of the Americas*, March 17, 1971, p. 1.

failed. Since the release and banishment of 70 prisoners as ransom for a Swiss diplomat in January, 1971, there have been no political kidnappings, murders, or hijackings in Brazil. Although the number of bank robberies increased through the first eight months of the year, the seizure of a large arms cache in Goiás and the death of Carlos Lamarca, the last well-known guerrilla leader, in September, appear to have broken the back of the guerrilla movement.

ECONOMIC SUCCESS

The ineffectiveness of the appeal to violence appears due less to the instruments of repression at the disposal of the regime than to the success of the government's economic programs. There is no question that, measured in national aggregates, the Brazilian economy is booming as never before. Virtually all economic indicators show the same trend toward greater output and prosperity. In October, 1971, the finance minister was predicting that the rate of increase in the Gross National Product would reach 10 per cent in 1971. He also anticipated that the total value of Brazilian exports would approach \$3 billion, with a favorable trade balance well in excess of \$100 million, pushing Brazil's foreign exchange reserves over the \$1.5-billion mark.

On the domestic scene, the national budget is substantially in balance, per capital income is higher than the \$385 registered in 1970, and the rise in the cost of living is being held under 20 per cent for the first time in recent memory. Confidence and enthusiasm characterize the attitude of private foreign investors and international lending agencies. As a result of its economic policies and performance, the Brazilian government has become by far the leading recipient in Latin America of long-term international public loans for basic development, while North American, European and Japanese corporations have built up an estimated \$1.7-billion stake in Brazil, chiefly in the industrial sector.

Industry, still concentrated heavily in São Paulo and Guanabara, leads the economic boom in Brazil. Although not yet at the

takeoff stage, it has reached a level at which it supplies more than half the equipment required for the continuing industrial expansion Brazil is experiencing. Industrial growth, which runs about 12 per cent annually for the nation as a whole, was up 17 per cent in São Paulo in the first nine months of 1971. During the year, Brazilian shipyards took orders from foreign buyers and began construction of their first super-tankers for the national petroleum monopoly, while the automobile industry, the gauge of industrial prosperity, turned out nearly half a million units.

The bulk of Brazil's manufactures are produced for the domestic market, but increasing quantities are being sold abroad. In contrast to the traditional pattern, industrial products account for one-fifth or more of Brazilian exports by value and should soon surpass coffee as a source of foreign exchange. The range and sophistication of Brazilian industrial exports are also increasing. The sale of simple alarm clocks to Bolivia was front-page news in São Paulo less than two decades ago, but Brazil now sells watches to Switzerland, refrigerators to the United States, shoes to Italy, electrical appliances to Africa, and precision instruments to West Germany, as well as a long list of manufactured items and industrially processed goods to its major customers in Latin America.

While industry and foreign commerce, largely in private hands, have been growing dramatically, the Médici administration is pushing forward with programs to increase the output of agriculture and mining and to expand the economic infrastructure. During 1971, the government sponsored a modest increase in petroleum production, the rapid extension of the telecommunications network, and the rise of more than one billion kilowatts of electric power generating capacity, while various combinations of public and private enterprise accounted for the substantial increase recorded in the output of steel, petrochemicals and other essential ingredients of a modern industrial economy.

The ambitious highway construction program, under the Ministry of Transport, has

received greater publicity, however, chiefly because of the trans-Amazon highway, which is designed to open the vast reaches of Amazonia to colonization by farmers from the Northeast. Frequent progress reports have kept the Brazilian people informed that construction is running ahead of schedule, with nearly a thousand miles cleared of forest cover, of which 155 miles were completed and opened to traffic in November, 1971. In these circumstances other highway projects—such as completion of the last stretch of the Belém-Brasília route, new coastal routes to link Salvador with Vitória and Rio de Janeiro with Santos, and the asphalting of hundreds of miles of existing roads in the coastal states—have received less notice even though they will have a more immediate impact on the economy and society of Brazil.

The present leaders of the Brazilian government and the business community appear to have discovered a formula for sustained economic development, but they have been no more successful than their predecessors in devising means to distribute the benefits of economic prosperity equitably to all areas and classes in the nation. The discrepancies in economic levels that have always separated the major geographic regions of Brazil seem to be as great today as in the past, and there are some indications that the gap between wealthy São Paulo and the impoverished Northeast may actually be widening. The state of São Paulo alone, with 19 per cent of the population, accounts for well over one-third of the national income, to give its residents annual per capita earnings of \$600 or more. In contrast, the seven Northeastern states, from Maranhão to Alagôas, which contain over one-fifth of the population of Brazil, receive less than 10 per cent of the national income, for a yearly per capita income under \$200.

It is well known that much of the cost of Brazil's economic recovery and growth since 1964 has been borne by urban labor, for the revolutionary regimes have consistently sought to hold wages at constant or declining levels in terms of purchasing power. In fact, not until 1971, for the first time in more than a

decade, was the minimum wage raised higher than the anticipated rise in the cost of living. Therefore, the disparity in incomes is even more striking between social classes and between urban and rural Brazilians than it is between geographic regions of the country. Roughly half the population, those who comprise the upper and middle classes and the higher levels of the urban labor force, share about 80 per cent of the national income. For them the current economic boom is a reality. They are the domestic market for the entire display of consumer goods produced by Brazilian industry. The other half of the Brazilian people, those who receive the minimum wage or less, are to all intents and purposes outside the money economy. The bulk of these subsist—undernourished, ill-housed, poorly clad and unschooled—in rural areas, but some of the most glaring deficiencies in food, shelter and health are found among unskilled workers and the unemployed in Brazil's larger cities.

The existence of such social problems cannot be attributed solely to the present administration, for they have defied solution by successive Brazilian governments for decades. Nonetheless, the manner in which the problems are perceived and the steps taken to deal with them do reflect the attitudes and priorities of the regimes in power since 1964.

NEED FOR DEVELOPMENT

Brazil's military leaders are obsessed with the urgent need for development, not only of the economy—although that is indispensable—but overall development that will permit their country to take its place in the community of world powers by the end of this century. In their view—one which is shared by Brazilians of all political persuasions—the nation has the resources to be a world power, resources that in the past have been neglected or mismanaged. They feel it is the government's responsibility to provide leadership, rational planning and a climate of political stability in which balanced national development can be achieved.

The revolutionary regimes and their Marxist enemies have been in agreement on these

points, but they are diametrically in disagreement over the kind of government Brazil should have and the proper measures to build the economic and financial base for the take-off into sustained national growth. To accumulate the vast sums of capital required for such an ambitious undertaking the military governments have resorted to large basic development loans, and have encouraged widespread foreign private investment in industry, agriculture and mining. Although since 1964 the direct participation of the government in the national economy has greatly increased, the military leadership is dedicated to the principle of private enterprise capitalism. It has assumed that growth and prosperity will inevitably follow if the so-called "producing classes" of bankers, industrialists and entrepreneurs are given appropriate opportunities, policy guidelines, tax curbs on their avariciousness, and an adequate infrastructure of power, transport and communications to support an expanding agro-industrial economy.

For nearly eight years, the military men in power in Brazil have pursued policies based on these beliefs and premises. Within these limits, however, each of the three revolutionary regimes has displayed its own focus and style. The Castello Branco administration (1964-1967) was marked by austere economic controls designed to slow inflation by restricting the purchasing power of the public and to encourage the spread of industry to outlying regions of the country, particularly to the Northeast. The need for social reforms was acknowledged but subordinated to the immediate task of economic recovery.

The Costa e Silva regime (1967-1969), which promised to "humanize" the revolution, disappointed widespread hopes for a relaxation of political and economic controls. The earlier emphasis on regional development was muted as the government turned to the political repression of the "revolution within the revolution" to silence its critics.

The Médici administration, after consolidating its position, is seeking to stimulate even more rapid economic growth and to build broad popular support through pro-

grams of "national and social integration." On close inspection, however, it appears that the new focus of the Médici government represents considerably more than a mere change of style. The prosperity of the national economy permits the regime to divert resources into areas that may ultimately convert the revolution of 1964 into a social revolution.

The government's intention at this point is not to promote or to prevent significant, long-term social change, *per se*. It is concerned above all with national development. President Médici and the men around him see Brazil as an underpopulated, underdeveloped land, whose territory has not been effectively occupied and whose people have not been prepared to meet the challenge of national development in the twentieth century. Half the Brazilian people are functionally illiterate, and the great majority of the remainder have less than a fourth-grade education. Moreover, pitifully few of the privileged minority with high school or university diplomas have the technical training and skills required in a technological age. Brazil's leaders are entirely cognizant of the increasing complexity of the science and technology that separates the "developed" nations more and more from the rest of the world, and they fear that if the widening breach is not soon closed Brazil may lose her chance to become a world power in the foreseeable future. The present regime is determined to close the breach by whatever means are necessary.

The most far-reaching implications of this determination may be detected in the government's decision to give education the highest priority in its social integration program. The Médici administration has assigned education a budget of some \$5 billion over

(Continued on page 128)

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"A fair appraisal of Argentina's prospects at this time must recognize that the bureaucratic oligarchies will dominate the country with or without elections."

Argentina's Bureaucratic Oligarchies

BY DAVID C. JORDAN

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THE "ARGENTINE REVOLUTION" of 1966 appears to be nearly over. Announced as a program to restore political sanity, economic stability and growth, and social harmony, it has already gone through two successful and several unsuccessful coups, economic confusion induced by inflation coupled with stagnation, and heightening social tensions. The economy is deteriorating. The apparent failure of the economic aspect of the "Argentine Revolution" may be the gravest threat to strong-man President-General Alejandro Lanusse's goal to return the nation to democratic elections and constitutional rule by March, 1973.

The economic situation is characterized by a soaring rate of inflation, growing trade imbalances, plummeting currency reserves, rising unemployment and underemployment and declining manufacturing production. According to the International Monetary Fund, inflation reached 30 per cent in 1970 and is forecast to hit 40 per cent over the full 12 months of 1971. When the government opened a two-tier exchange market on September 20, 1971, the peso went from 500 to 745 to the dollar. In the first seven months of 1971, the trading deficit reached \$76 million mainly because Argentina's usually strong showing in exports of meat, wheat and semi-manufactured items have not only missed 1971 targets but have fallen below 1970 figures as well. In 1970, Argentina's reserves had reached \$664 million. She has

managed to reduce these reserves to \$130 million, a dangerously low level for a country embarking on electoral politics in an environment of growing economic nationalism. Recent reports indicate that of Argentina's 24 million people, nearly one million are unemployed with some 600 thousand underemployed in Buenos Aires alone. Nearly 40 per cent of these un- or underemployed persons are teenagers. For the first seven months of 1971, manufacturing of machinery and electrical appliances was down 66 per cent over the previous year and textiles were down by 25 per cent. How can these disturbing failures be explained when the June 28, 1966, military coup was justified by the claim that military leaders could implement the decisions necessary to restore the nation's economic, political and social health?

The traditional ideological conflict which has divided Argentina across class and regional lines and has crippled political and economic decision-making has pitted the so-called conservative-liberals against nationalist-populists. In addition to this division, the nation suffers from the long-time rivalry between the provinces and the enormous Buenos Aires metropolitan area. Even a military government cannot escape the dilemmas these ideological and geographical divisions raise. To make matters worse, there are left, moderate, and right wing divisions within the ideological lines. Prior to Alejandro Lanusse's assumption of presidential power follow-

ing the coup d'état of March 23, 1971, the two previous military leaders, Generals Juan Carlos Onganía and Roberto Marcelo Levingston, had failed to cope with these major divisions. Onganía attempted to bridge the two traditions by a liberal economic policy and a nationalist political posture,¹ and ultimately failed. Levingston followed nationalistic policies both economically and politically, and also failed. Now Lanusse is trying to be both moderately liberal politically and moderately nationalistic economically, and he too may fail.

Formerly reputed to be the most anti-Peronist of army officers, (he was imprisoned by Perón from 1951 until Perón's fall in 1955) Lanusse is considered in many circles the leading candidate to win, with substantial Peronist backing, in the elections scheduled for March 25, 1973, which he arranged in order to return the nation to constitutional regularity. There is some reason to believe that the particular ideological combination which Lanusse now favors has the support of sufficiently powerful interests to make it work both politically and economically.

BUREAUCRATIC OLIGARCHIES

Besides the labor unions, the key interest groups behind the economic nationalist policies are the state enterprises. The grow-

ing economic concentration of power in the state dates from the Perón era and this centralization of economic power is not only intact but growing.² Fundamental to the political struggle in Argentina is access to this enormous concentration of economic power.

Besides organized labor, the state enterprises and their spokesmen, backing for the economic nationalist position comes increasingly from the military. More and more military personnel now sit as directors in the principal state enterprises.³ There is little doubt that they have helped to lessen opposition within the armed forces to the growing attack in Argentina on private and more particularly on foreign enterprise. For example, the virtual bankruptcy of a foreign-owned meat packing concern (Swift) has been furthered through competition with the Argentine meat monopoly, whose losses are recouped by the state through the operation of a livestock tax which was supposed to be for capital investment and not for recouping operating losses. The apparent curtailment in the activities of private oil companies and the decision of Dow Chemical not to invest in Argentina may be traced to the growing perception of the hostility of Argentina's interlocking bureaucratic oligarchies toward foreign and domestic private capital investment.

Argentina is apparently further along, or at least more accustomed than she was, to a society of bureaucratic oligarchies. This is a situation where the best organized groups—the armed forces, the state enterprises and organized labor—can demand and obtain from the government an ever increasing share of the nation's slowly growing (when not stagnating) economic resources. There is a tendency for these groups to prefer an increased share of existing resources rather than to restrict consumption in order to permit growth except as growth is engendered in the subsidized state enterprises. The record of these policies is little growth, producing what some observers call "stagflation," little growth with inflation. Subsidized prices for electricity, meat, or gasoline lead in only a short time to the rationing of electricity

¹ For a more detailed analysis of Onganía's policies, see David C. Jordan "Argentina's New Military Government," *Current History*, Vol. 58, No. 342, February, 1970, pp. 85-90, 116-117.

² In November, 1971, for example, the Sam di Tella industries passed under the control of the state, which obtained 51 percent of its stock shares. This is another important addition to the state's industrial empire. Among the huge enterprises and interests behind economic nationalism are the Banco de la Nación Argentina which controls 50.65 percent of all banking deposits and accounts for 53 percent of the total commercial banking in Argentina; YPF (the state petroleum corporation) which monopolizes the exploration of oil, the meat monopoly under the Corporación Argentina de Carnes (CAP), the steel monopoly (under SOMISA), the petrochemical monopoly (under Fabricaciones Militares), the electric power monopoly (under SEGBA), the state domination in the movies and legitimate theatre, transport, communications and such organizations as the Confederación General Económica (CGE).

³ *Criteria Año XLIII No. 1601*, August 13, 1970, p. 524. They sit as directors in a growing number of private companies as well.

and meat and a lower capacity to build and pave bridges and highways because of a lack of investment. The key threat, then, to Lanusse's management of Argentina's ideological and political divisions may come from an economic failure.

THE FALL OF ONGANÍA

How did military rule in Argentina arrive at this particular state of affairs? The fall of Juan Carlos Onganía provides additional insights into the nature of military rule in Argentina. The most obvious factor in Onganía's ouster was the growing dissatisfaction of the chiefs of the armed forces with their role in decision-making.

After forcing the issue in early June, 1970, the commanders-in-chief were generally gracious in their acceptance of Onganía's resignation. The official statement praised him for having led the nation out of "its chronic economic stagnation" and for having brought the country to "a satisfactory rate of growth." However, the statement expressed concern over Onganía's "lack of clear ideas about the return to institutional rule, the increase in social tension and the public feeling of insecurity." The armed forces must be recognized as the preeminent bureaucratic oligarchy of the nation and were so recognized in the Onganía ouster: the army makes the emperor.

THE ARAMBURU KIDNAPPING

Many Argentines believe that the Aramburu kidnapping triggered the coup against Onganía. Retired General Pedro Aramburu, the liberal leader and a figure of conciliation, was kidnapped and subsequently murdered in May-June, 1969. In the aftermath, most of the Cabinet officials surrounding Onganía were asked to stay except General Imaz, the Minister of the Interior, who was immediately sacked. Imaz was associated with the rightist nationalists, and many observers believe the kidnapping was backed by these nationalists

⁴ The "blue" army faction in the "pocket" civil war of 1962 defeated the "red" army which wanted to install a "democratic dictatorship." The "blue" army favored elections.

⁵ *Confirmado Año VI*—No. 261, June 17-23, 1970.

to head off a return to democratic-liberal government and elections. These analysts believe that the published announcement explaining the kidnapping as an extremist Peronist plot to revenge the military court-martial and execution of a group of officers who tried to restore Perón in 1956 while Aramburu was Provisional President was just a smokescreen. They also argue that the 10-day delay between the ousting of Onganía and the naming of Levingston indicates that the armed forces chiefs had difficulty in finding another man to place in the Presidency once Aramburu had been eliminated.

Other Argentine analysts argue that the Aramburu kidnapping was the catalyst leading to the ouster of Onganía but that it was perpetrated by Castro-Communist and nationalist cells completely unconnected with the government. These groups too wanted to remove a figure who might have helped to conciliate the Argentines since they may have believed that their best chance at a revolutionary role would be in a military-dominated society. The selection of Levingston confirms the view that the army acted as predicted and selected as President a man in the nationalist right. Like Onganía, Levingston was a member of the "blue" army⁴ and had been in control of the ideological content of the army's communications during the conflict with the "red" army. Like Onganía, Levingston was in the moderate nationalist group of the "blue" army and author of the famous communiqué 150 calling for elections issued under Onganía's authority. Like Onganía, following the uprising of April, 1963, he helped consolidate "blue" control of the armed forces. Levingston's role had been to supervise the dismantling of SIN—Servicio de Informaciones Navales—which had been the chief organ for psychological warfare waged by the "red" (colorado) forces.⁵

Neither of these interpretations may be accurate. Maybe both have elements of the truth. What is clear, however, is that the tendency Onganía represented—political nationalism and economic liberalism—remained pretty much the same under Levingston until

October, 1970. Then the tendency to move more sharply into the antiliberal line, particularly in the economic sphere, became clearer.

THE LEVINGSTON GOVERNMENT

Initially, the Livingston government continued the Onganía pattern of keeping a liberal in the ministry of the economy, Carlos Moyano Llerena, but added a liberal rather than a nationalist in the ministry of the interior, Eduardo McLoughlin. Many other posts went to nationalists or "developmentalists" with a well-known Peronist, Juan A. Luco, as Secretary of State for Labor. Except for the appointments to the ministries of economy and interior, the government had an antiliberal or nationalist-populist cast. This characteristic of the government became even more pronounced after October, 1970, when Carlos Moyano Llerena and Eduardo McLoughlin resigned and were replaced by Aldo Ferrer and Cordón Aguirre, both in the nationalist-populist or antiliberal line.

Both the nationalist political and economic lines stirred opposition. The political line was made clear in Livingston's announcement that a return to electoral politics was to be postponed for at least 4 to 5 years. This delay of elections was opposed in the "Hour of the People" manifesto which called for a prompt return to free elections. Although the "Hour of the People" alliance consisted of many left-wing and moderate nationalist populists—Peronists, Radicals, Popular Conservatives and Progressive Democrats—there were important liberal and antiliberal groups not backing it, the Unionist sector of the Radical party (liberal) and a number of Peronist and national populist elements, including elements of the C.G.T.⁶ The Livingston government's plan to reform the constitution was also opposed. The Civic

Concentration in favor of the Republic (Concentración Cívica en pro de la República) among other things opposed constitutional reform, called for a political plan, and requested that the rights of all nontotalitarian parties be respected. A petition to this effect was signed by some 1,200 people and included signatures from many leaders of the 1955 revolution which ousted Perón.⁷

The economic nationalist line was developed under Aldo Ferrer. Undoubtedly the government was trying to appease labor and gain nationalist-populist support. In a speech on December 29, 1970, Aldo Ferrer proposed the government's economic plan. Its principal elements were to push a development bank, enact a real wage law, "Argentinize" credit, provide tax rebates to encourage reinvestment, push a "Buy Argentine" law, proclaim export promotion, install price guidelines, and maintain joint negotiating committees to check wage inflation. The principal thrust of these policies was to favor the nationalist-populist line. The Development Bank, formerly the Industrial Bank, was supposed to encourage the participation of national capital in basic industry and to direct investments toward the nation's interior. A provincial bias has always been a key element in the antiliberal or nationalist populist line. In addition, the bank was charged with keeping national control of major enterprises and to promote savings. The real wage law was designed to provide compensation for increases in the cost of living, a direct response to union demands. "Argentinizing" credit was to be implemented by the Central Bank and implied a reduction of Argentine bank loans to foreign companies. This move was designed to counteract the growing belief among nationalists that foreign companies acquired Argentine enterprises by borrowing from domestic credit sources. The goal of this policy was to force foreign enterprise to seek credits abroad or finance themselves from their own capital resources.

The tax rebates scheme was planned to provide incentives to foreign companies to reinvest in Argentina. It provided a tax allowance in proportion to the amount of new

⁶ General Confederation of Labor. There is some labor opposition to elections among those unions that believe an unpopular military government can be manipulated more easily than an elected government.

⁷ Among these signers were Admiral Rojas, Admiral Sanchez Sañudo and Generals Carlos Severo and Federico Toranzo Montero.

investment. The "Buy Argentine" law was clearly an attack on the liberal economic sector with its import-export orientation. This law aimed at reducing foreign imports and the participation of foreign enterprises in public-financed projects. Some observers believe this pressure has contributed greatly to Argentina's present economic problems since it was ignored by many state enterprises and led to a psychology of "Buy Foreign While You Can" which severely drained Argentina's reserves and harmed her balance of payments.

The export, price-wage, and exchange policies (no devaluation)⁸ were all part of Ferrer's nationalistic appeal to liberate the country from its reputed economic dependence and to prevent the allegedly growing foreign ownership of the "country's productive machine."

Opposition to the government's economic policies was accelerated by the bankruptcy of Swift and Company of La Plata. What had happened that this nation of beef producers and beef eaters had a beef crisis? A decline of cattle supplies induced by low investment incentives was part of the trouble coupled with the nation's unabated appetite for meat. The result was a reported 100 per cent increase in cattle prices between January and December, 1970, in the Buenos Aires Liniers market. Much of the problem lies with the government which taxed beef and grain interests to the point where private companies could no longer export economically.

The Levingston-Ferrer economic policy stirred further fears that an increased demand for goods fueled by a cheap money policy would produce more stagflation. Following the bitter FIAT strike in January, 1971, at the Concord works in the province of Córdoba (which began with the company sacking activist shop stewards of the militant SITRAC Union), businessmen's fears of compulsory arbitration under a labor-biased government increased when Ferrer stated that "The company must reinstate the shop stewards im-

mediately." Economic reports on the first quarter of 1971 contributed to further disenchantment with these economic policies.

LEIVINGSTON'S FALL

Levingston fell more for political reasons, however, than for economic ones. Although there were a number of other contributing factors and triggering issues, the underlying reasons for Levingston's fall were: (1) that the Lanusse-led armed forces wanted an electoral political settlement, and (2) that nationalist economic policies were more likely to be popular than effective. Hence the pursual of such policies without a plan to return the nation to elections was likely to be interpreted as attempting to make Levingston a popular dictator while neither providing a long-term political settlement nor resolving the nation's economic stagnation with inflation. Levingston's political moves were interpreted as leading to a "nationalist" dictatorship.

The signs that Levingston was moving to the right in the political sense of the nationalist tradition began to develop clearly in February, 1971. The last liberal figure in Levingston's Cabinet, Francisco Manrique, the Minister for Social Welfare, resigned. This resignation was followed by Levingston's growing association with a left wing Radical and a neo-Peronist, Dr. Alende and Dr. Gelsi, respectively.

The precipitative issue leading to Levingston's fall was his naming of Dr. José Camilo Uriburu as Governor of Córdoba to replace Dr. Blas. Uriburu was a member of the extreme right wing of the nationalist-populist line. A so-called "active" strike was called for March 12 and then again for March 15 and 18 to protest Uriburu's appointment. The strike of March 15 was almost as, if not more violent than the Cordobazo of May, 1969, which had set the stage for Onganía's fall. Besides opposing Uriburu, the unions were protesting the upper wage limits recently set by government negotiating committees and were pushing for higher wage scales for university administrative personnel.

Events quickly led to Levingston's ouster.

⁸ So far in 1971 the peso has been devalued five times. In 1970 the peso's buying power declined 22% compared with 6.6% in 1969.

During the second Cordobazo, General López Aufranc refused to quell the rioters until Uriburu resigned. Levingston was infuriated but finally sacked Uriburu; then order was restored. Apparently, at a dinner party in the President's residence in Olivos on Thursday, March 18, Levingston made some strong remarks about López Aufranc to which the secretary to the Committee of the Commanders-in-Chief, Brigadier-Major Ezequiel Martínez, a long time friend and associate of Lanusse, objected. Levingston fired him. To iron out the difficulties between the Commanders-in-Chief and Levingston, a meeting was called for Monday at 5:00 P.M. on March 22. Before the meeting it was still believed that Levingston had the backing of the Air Force and its Chief, Brigadier Rey, where the strongest antiliberal right wing and Catholic nationalist supporters were to be found.

Feeling the tide was against him, Levingston excused himself during a break in the meeting and ordered the arrest of General Lanusse. At 8:30 P.M., Levingston announced to the nation that Lanusse had been removed from his position because he had failed to maintain order in Córdoba. He also announced, apparently falsely, that the decree removing Lanusse had been signed by the Commanders of the Navy and Air Force.

Lanusse was released shortly thereafter when Colonel Ortiz, Commander of the First Infantry Regiment, called Levingston and threatened to seize Government House if Lanusse was not freed. His bluff called, Levingston capitulated, and after Lanusse walked out Levingston faced the implications of his actions and resigned at 3:00 A.M. the next morning, March 23.

THE PRAXIS OF CONCILIATION

Three days after the Joint Chiefs of Staff took over the direct leadership of Argentina, Lieutenant General Alejandro Agustín Lanusse, in his capacity as Commander-in-Chief, was named head of the nation. La-

nusse declared in a May 1, 1971, Río Cuarto speech in Córdoba that his goals were "to put an end to the sterile quarrels that have divided the Argentine family for so many years; . . . [we] are calling for a great national accord." "The Accord" or "The Great National Accord," as it became known, was supposed to consolidate national aspirations into a new synthesis.

Among the political moves Lanusse has made to bring "Accord" to the Argentine family in the months since his arrival in power are the return of the remains of Eva Perón to the exiled former dictator Juan Perón in Spain; the announcement that Presidential elections will be held in March, 1973; the legalization of Argentina's political parties; the naming of Arturo Mor Roig as Minister of Interior;⁹ the restoration of property and other possessions to the political parties confiscated under earlier military governments and such symbolic gestures as the unveiling of a mural in Government House portraying all of Argentina's 36 presidents since Rivadavia (which included Perón and Onganía) and hinting that Lanusse would be willing to meet with Perón if something constructive might come of it.

Among the economic moves were the sacking of Aldo Ferrer, the abolishment of the economics ministry which had become a liability because whoever occupied it tended to establish in the popular mind the government's economic line, substantial wage increases which were well above the guidelines laid down by the negotiating committees under Levingston, allowing the head of the C.G.T., José Rucci, to address the nation on government-controlled television and radio, and abolishment of radical company unions in Córdoba which pleased organized labor and management.

(Continued on page 113)

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⁹ Mor Roig is a highly respected leader in the Radical Party of the People and naming him to the Ministry of the Interior subdued many doubts that Lanusse did not wish to have elections.

"Irreversible changes have taken place in Chilean politics and society, and in the economy, and it is remarkable how much has been achieved at the cost of so little violence and social disintegration."

Allende's First Year in Chile

BY ALAN ANGELL

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“WE HAVE ACHIEVED more than Cuba in her first year," remarked President Salvador Allende Gossens in a recent speech.¹ Undoubtedly Allende was making no idle boast—the list of achievements of his Popular Unity government is impressive. There has been substantial, not to say spectacular, nationalization, drastic agrarian reform, considerable redistribution of income, modest but satisfying electoral success in the municipal elections of April, and skillful initiatives in the field of foreign relations. The key questions remain, however: What problems are these policies creating? And can the momentum of the first year be sustained?

At least one substantial difference between the Cuban and Chilean revolutions lies in the very different characteristics of their leaders. Allende has been a loyal and long-serving member of the Chilean Socialist party. His career has been intimately bound up with his party and with a variety of congressional and, during the Popular Front government, ministerial posts. Yet in some ways he stands apart from his fellow Socialists—who, although they denied him a position on the party's Central Committee for the last 15 or so years, were unable to deny that in popular esteem he stood head and shoulders above any other

Socialist. Allende is no ideologist, no enthusiast for the latest variety of Marxist thought, no advocate of violent revolution. He is a tactician, a maker of political alliances. He is not a compromiser—for his devotion to his principles is unquestioned—but, in contrast to many in his party, he is a political realist.²

His preference is for reform by parliamentary and legal means; and, if Congress and the laws prove obstinate, he will try congressional and legal reform, not the overthrow of Congress and the law. His vision of the Socialist state is, perhaps, a little old-fashioned for many of his party contemporaries: nationalization, but not workers' control, an attack on the large industrialists but protection for the small, a pluralistic foreign policy that proposes at least formal cordiality with Argentina and not rhetorical denunciations of military "gorillas." Few Socialists have been so committed to the electoral process as the route to power and, logically for Allende, this has entailed an alliance both with the large, disciplined working class Communist party and with the important, undisciplined, middle class Radical party. The electoral victory of 1970, narrow as it was, vindicated Allende's choice of tactics. But how does his government look after one year in office?

THE ECONOMY: COPPER

Allende's most dramatic economic initiative—and the one that aroused the most opposition from the United States—was his bill to nationalize the large part of the copper in-

¹ He added that this was not a reflection on the Cuban Revolution and that he was sure that Cuban Premier Fidel Castro, soon to visit Chile, would agree.

² See the revealing interviews in Régis Debray, *Conversations with Allende* (London: 1971).

dustry that still lay in the hands of American producers, notably the Anaconda and Kennecott companies. Copper provides Chile with three-quarters of her export earnings, and although the previous Christian Democratic government of Eduardo Frei Montalvo had made inroads into American control, the general feeling of the left (including the Christian Democratic presidential candidate in 1969, Radomiro Tomic) was that Frei had not gone far enough and had been far too generous in his compensation terms.

Allende promised compensation to the United States companies at the book value of their assets but warned that they would be penalized for their past earnings of "excessive" profits.

Supported by a constitutional amendment passed in Congress by all parties—even the right-wing National party—and warning reports from French and Russian experts which claimed that the United States companies had been working recklessly with an eye for the quickest short-term profits to the detriment of the mines, Allende then demanded more from the American companies than the estimated book value of their assets. In early October, Allende announced that compensation would be reduced by \$774 million because of "excessive profits" earned during the period 1955–1970. The book value of the assets amounted to between \$500 and \$600 million. An appeal to the Chilean Comptroller-General resulted in the following verdict: Kennecott would receive no compensation at all, and owed Chile \$310 million; Anaconda would receive \$10 million but owed Chile \$78 million; the Cerro Corporation would receive \$18 million. A special tribunal opened in Santiago on October 28, 1971, to hear protests from the American companies, but is unlikely to vary the result by very much.³

United States Secretary of State William Rogers threatened to cut off all aid unless "just compensation" were paid. Chilean Foreign Minister Clodomiro Almeyda re-

torted that the United States government appeared to have overlooked the fact that Chile would have to take over the loans, estimated at \$700 million, contracted abroad by the American companies for their expansion in the 1960's.

The Chilean government is inflexible on this issue and, unusually, enjoys almost complete national solidarity. Any punitive measures taken by the Americans are unlikely to weaken the resolve of the government, although they are likely to increase national support for Allende and to further the already widespread hostility towards the United States.

But if the politics of copper is encouraging from Allende's point of view, the economics of the industry is not so satisfactory. The world price of copper has fallen sharply from 75 cents per pound in 1969 to around 50 cents per pound in late 1970. Production levels have been disappointing—far below the targets set, and the estimate for 1971 is only slightly above the 560,000 tons produced in 1970. Yet production costs have increased very considerably—at El Teniente for example, costs have risen from 32 cents per pound in 1970 to 50 cents per pound in 1971. The exodus of some skilled technicians, neglect by the American companies awaiting nationalization and sharp wage increases have combined to drive up production costs overall to a level not far short of the very low world price of copper. It is no wonder that Fidel Castro, visiting Chile in November, 1971, urged (at Allende's request?) copper miners to work harder and to forego wage increases greater than the increase in the cost of living.

THE OVERALL ECONOMIC PICTURE

1971 looks like a good year for Chile overall (as was 1965—the first year of the Christian Democratic administration). Unemployment has been reduced from over eight per cent when Allende took office to a little over four per cent. The cost of living rose only 11 per cent in the first six months of 1971 compared with 23 per cent for the comparable period in 1970: the overall figure for the year will probably be around 18 per

³ The detailed story of the copper negotiations are well outlined in the Santiago weekly *Emilia*, a pro-Christian Democratic yet independent review.

cent compared with 36 per cent in 1970. The GNP is estimated to have increased by around seven-eight per cent in 1971. The purchasing power of the poorer sectors has increased dramatically, with a real wages increase of 30 per cent, and a price freeze on basic goods. Food prices have remained low because the government has not devalued the escudo and imported food is very cheap. Agrarian reform has been dramatically accelerated. In the six years of the Frei administration some 1,200 farms were expropriated; in the first seven months of Allende's government over 1,300 farms have been taken over and distributed to the peasantry.

Yet this redistribution of income and the refusal to alter the exchange rate have economic costs as well as benefits.⁴ Gold and dollar reserves have fallen sharply to \$193 million—less than half their 1970 level. Last year's favorable balance of payments of \$123 million has been converted to a likely deficit of \$150 million for 1971. A huge foreign debt of well over \$2,275 million (run up by previous governments) must be serviced, and Allende has had to ask for more time to make repayments. Food imports are likely to cost only a little less than \$300 million this year, compared with \$217 million for 1970. Favorable industrial expansion so far has been based on using up surplus capacity; but there has been very little new private industrial investment. This was precisely one of the factors that led to the decline in the rate of economic growth of the Frei government—and is certainly one of the big problems for the new administration.

One basic remedy proposed by the government is an extension of nationalization in the industrial sector. A bill presented to Congress in October, 1971, proposes a division of industry into three sectors: a state or social sector, a mixed sector and a private sector. There has of course already been much nationalization, some by using old and long forgotten statutes passed by the short-lived

“Socialist republic” of 1932, some with congressional approval, some by evading Congress—such as the purchase of controlling shares in most private banks on the stock exchange. Thus the nitrate, steel and cement industries, and banks are largely, if not completely, in the state sector. But the government wishes to extend and nationalize its control in a systematic, planned manner. Hence the proposed tripartite division of the industrial sector, with the government to nationalize key enterprises, monopolistic concerns and crucial service industries, both those serving the home market and those playing a vital role in the foreign trade sector. In the state sector, there will be extensive provision for worker participation (although not control) in the running of enterprises.⁵ But not all firms are to be nationalized. Some will be run jointly by the state and private interests when there are sound political, administrative or technical reasons for such cooperation; and many small firms, defined as those with less than 14 million escudos in capital and reserves, will remain in private hands.

Opposition to these proposals was quickly declared. The right has complained of communistic attacks on property; and the Christian Democrats object both on the grounds that such a proposal enormously strengthens the power of the executive and that it does not go far enough in the direction of worker control (though the Christian Democratic government took practically no initiatives in this field). So the Christian Democrats have an alternative proposal in Congress which gives power to nationalize to the legislature rather than the executive. As the government does not have a majority in Congress the scene is set for a major political battle—and in retaliation Allende has started to talk of making good the electoral promise of a unicameral legislature following a plebiscite on the issue.

THE POLITICAL SITUATION

Governing with a six-party alliance requires considerable political skill—and life has not been made easier for Allende by the fact that two of his supporting parties have split

⁴ See the report of the University of Chile's *Instituto de Economía, Comentarios sobre la situación económica* (Santiago, 1971).

⁵ See James Petras, “Transition to Socialism in Chile,” *Monthly Review*, October, 1971.

and that his Popular Unity alliance now includes eight parties, not to speak of the extreme left M.I.R. (Left Revolutionary Movement). It is a tribute to his skill so far that he has kept tension at a low level and has prevented several incipient crises from developing into major disputes. Moreover, his own standing remains high; observers searching for signs of an imminent army coup have been disappointed.

Allende has stressed the need to make revolutionary changes within the legal framework—although this has not prevented him from attacking the judicial system as biased in favor of the upper classes. He invariably makes a favorable reference to the armed forces in his speeches, and rarely appears in public without a high ranking military officer. (On May Day, 1971, Allende even appeared in the company of the head of the Chilean Catholic Church.) The left wing M.I.R.—responsible with its *campesino* wing, the M.C.R., for many farm seizures in southern Chile—was at first conditionally loyal to Allende. But it has become increasingly impatient at the alleged slowness and caution of the reform process and the absence of a decisive confrontation with the bourgeoisie. Allende may well have to force a break in relations with them; how serious this will be remains to be seen.

It would certainly be very serious if the M.I.R. could persuade the Socialist party, or a large part of it, to adopt its analysis of the present situation. The Socialist party, with its long record of divisions, is a quarrelsome, unreliable ally for any President, even for a Socialist. The recently appointed Secretary-General, Senator Carlos Altamirano, leads the Castroite wing of the party, and the Socialists have been urging faster action. Yet even if the Socialists are unlikely to sustain Allende as faithfully as the Communist party, there is no sign of a serious break. The Socialist party almost certainly realizes that its dramatic rise in electoral support in the municipal elections of April, 1970, to 23 per cent of the poll owes much more to the popularity of Allende than to any other factor.

Only the Communist party, as usual, re-

mains united. The Radical party, disappointed at its poor showing in the April, 1971, elections with only eight per cent of the poll, divided when a large part of its parliamentary group refused to accept the increasingly Marxist viewpoint of the party's executive. But although the dissidents formed an Independent Radical Movement, they pledged continuing support for Allende.

The MAPU (the United Popular Action Movement) also divided for similar reasons. When eight of the Christian Democratic congressional group broke away to form a Christian Left Movement, the leaders of MAPU, including Minister of Agriculture Jacques Chonchal, joined forces with them, on the grounds that MAPU had more or less abandoned any traces of Christian inspiration to adopt a fully Marxist position.

The major political opposition to Allende is the Christian Democratic party (the P.D.C.) which, although its share of the vote has fallen sharply to 26 per cent of the poll, still emerged as front runner in the April, 1971, elections. The Chilean right, demoralized by Alessandri's defeat in the presidential elections, discredited by the backlash from the assassination of General René Schneider, disoriented by the obvious popular appeal of Allende, is as yet uncertain of its political role. The P.D.C. announced a policy of fundamental opposition to the government, combined with support for certain measures that met its approval. But the party is far from united. Apart from the dissident group that split to form the Independent Christian Movement, there exists a clear right wing in the party, led by former President Eduardo Frei, and a more leftist group identified with the policy proposals made by Radomiro Tomic Romero, P.D.C. presidential nominee in the 1969 campaign. Frei, incensed by personal attacks on him in the left wing press, has retaliated by alleging that a Communist dictatorship is being imposed on Chile.

Although the P.D.C. is divided on several issues—the extent of the Communist threat, how far to ally, if at all, with the right wing National party—it is united in its attack on the government's economic policy. The

party argues that little more has been achieved than in Frei's first year, but at far greater cost.

P.D.C. spokesmen predict a return to inflation when artificially frozen prices can no longer be held down, and when the inevitable devaluation occurs; a severe balance of payments crisis; a drastic rise in food imports; and stagnant industrial investment. The party intends to use its congressional strength to the full to block Allende's comprehensive nationalization bill.

FOREIGN POLICY

In the area of foreign relations, Allende has made notable progress in his policy of not making enemies in Latin America, while making it clear where his sympathies lie. He enjoys cordial relations with military rulers in Argentina and Peru, and with what his party regards as "oligarchs" in Colombia and Ecuador.

Although a major conflict with the United States seems likely over the copper issue, Allende has never sought gratuitous conflict with the United States. Chile remains a member of the O.A.S. Though relations with the Soviet bloc are much more cordial than they were in the past, there is no question of Chile becoming as dependent as did Cuba on the U.S.S.R.

The highlight of Allende's foreign policy has been the much publicized visit of Castro to Chile—one of the very few occasions on which the Cuban leader has left his country. There is a growing feeling in Latin America (not shared by all countries) that Cuban isolation in Latin America should end, and this visit can be seen as the first step in the re-integration of Cuba into hemispheric affairs. Castro's visit has served Allende's ends as well.

Castro has helped to establish the revolutionary credentials of the new government; it has demonstrated Allende's desire for a strong Latin American front against the United States; and Allende has, no doubt, been pleased to hear Castro urge the Chilean

⁶ See report in the *Times* (London), November 15, 1971.

people to avoid the mistakes that he made, to contain their impatience, restrain their demands, support their new government, and—directed at the extreme left—to realize that the Cuban model of revolution is not for export.⁶

CONCLUSIONS

If Allende has cause for satisfaction after one year in office, he also has cause to worry—although even so cautious a politician as Allende must feel, on balance, pleased with the speed with which he has managed to enact large parts of his reform program. Irreversible changes have taken place in Chilean politics and society and in the economy, and it is remarkable how much has been achieved at the cost of so little violence and social disintegration. Can Allende continue to reform so quickly and restrain violence so effectively?

There are of course members of his own coalition, as well as politicians outside, who argue that a decisive confrontation must take place, or the revolution will falter. Other members are concerned by the apparent concentration on immediate problems to the detriment of long term planning and are worried that Allende's government may run into the problems that hit Frei—three years of expanded growth, and then decline.

Such judgments are premature. On the economic front, problems are indeed starting to loom large. But such problems are not merely economic—previous governments have failed not only through lack of technical expertise but because of failure of political judgment or will. There are few shrewder judges of the political scene than Salvador Allende; whether his judgment—and will—are enough to deal with the problems that beset Chile, and to put Chile firmly on the road to socialism, remains to be seen.

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"Mexican politics for the last 40 years has exhibited a remarkable stability. . . . The three fundamental principles that assure the stability and continuity of the Mexican political system are cooptation, balance and the pendulum."

A Critical Time for Mexico

BY MARTIN C. NEEDLER
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WHEN, A FEW YEARS AGO, Mexico's per capita gross national product passed the symbolic figure of U.S. \$500 per year, the press heralded the event as marking Mexico's breaking out of the category of "economically underdeveloped countries." As the country's evolution continued, in 1971 Mexico reached the stage of having to confront problems long regarded as characteristic stigmata of her social, cultural and political underdevelopment.

The notorious prevalence of the *mordida*, or petty bribe, extorted by police and minor bureaucrats, was tackled in the Federal District by a campaign using *provocateurs* to arrest policemen soliciting bribes. At the same time, the very low police wages were raised somewhat, although it was doubtful that the raise was enough to eliminate the economic pressures that helped promote corruption. Another campaign was aimed at the prevalence of gun ownership in Mexico, which averages almost one gun for every adult male and has helped give Mexico one of the world's highest homicide rates. A proposed new law would require the registration of privately owned guns and would forbid the carrying of hand guns outside the home.

Perhaps the most striking demonstration that Mexico was taking on some of the characteristics of "developed" countries was the holding (in September, 1971) of the

country's first rock festival. Although many participants in the festival doubtless enjoyed themselves—getting high on marijuana, bathing nude in a nearby lake and listening to 12 rock bands play all night—most Mexicans regarded the event as a disaster. Attendance at the festival, which was held in Avandaro, a small town 150 miles southeast of Mexico City, far exceeded expectations. An estimated 200,000 young people were in attendance, with resulting traffic jams, exhaustion of food supplies, and assorted traffic and drowning accidents that claimed five lives.

But the aspects of the process of development in Mexico which made 1971 a critical year were not social and cultural but political.

POLITICAL STABILITY AND THE P.R.I.

Mexican politics for the last 40 years has exhibited a remarkable stability. The same party, the *Partido Revolucionario Institucional*, or P.R.I., has won every single election for President, senator, or governor since its founding in 1929, despite the fact that opposition groups exist and offer candidates. This remarkable record of success is partly due to the perpetuation of the party's mystique as the embodiment of the great Mexican Revolution of 1910, but it mostly reflects the development of the party into an all-embracing system for distributing rewards and punish-

ments that survives because it works. Resembling nothing so much as a classic big-city political machine in the United States—let us say, in Mayor Daley's Chicago—the party, or, rather, the political system of which the party is the most conspicuous element, manages to embrace all the major interests in Mexican society, from wealthy industrialists to organized labor, from dwellers in urban shantytowns to peasants who have received land under the government's agrarian reform program.

The party maintains loyalty by distributing favors and pursuing a balanced policy of economic growth favorable to all sectors. This is made possible by skillful economic management, under which the Mexican gross national product has risen steadily over the last 20 years at one of the highest rates of sustained growth in the world.

The first rule in Mexican politics is that to get along one must go along; that is, everything is possible to those who collaborate with the system, nothing to those who oppose it. Working on this principle, the P.R.I. has had remarkable success in co-opting elements that might present difficulties in opposition.

The system has made possible both stability and progress, and has left behind the violence that prevailed after the Revolution and before the system was firmly established. As Mexico has developed, however, a growing professional and intellectual middle class, led by a rapidly increasing number of university students, has demanded that the system be made more open and spontaneous; that decisions be made with popular participation and in the light of day instead of in the back rooms.

HOW THE SYSTEM WORKS

The three fundamental principles that assure the stability and continuity of the Mexican political system are cooptation, "balance" and "the pendulum."

In the first place, the system seeks to incorporate groups and individuals of all points of view and economic interests. Thus in Mexico, as elsewhere in Latin America, one of the important developments of the last 10 or 15 years has been the growth of

shantytowns, as urban populations have swelled with the arrival in the city of large numbers of migrants. Elsewhere, squatters clashed with police when attempts were made to evict them from the illegally occupied lands on which they had constructed their huts. In some instances, the government has decided to ignore the shantytowns as though they did not exist. In Mexico, characteristically, to meet the problem new organizations have been established in the "popular" sector of the party (the other sectors are labor and agrarian) to enroll the shantytown dwellers, to find out what they want, to try to meet their needs and to incorporate them into the existing system.

In response to the second principle, that of balance, government policies have sought always to steer a middle ground among the extreme possibilities to assure, if not maximum support from each group, at least minimum opposition. Thus, for example, agrarian policy has continued the distribution of small parcels of expropriated land to landless peasants and, at the same time, has opened up new land by irrigation to be sold to medium-scale commercial farmers. Business interests have been encouraged by tariffs, loans and subsidies; at the same time, labor organizations have been protected, the minimum wage has been steadily raised, and profit-sharing schemes have been mandatory for larger employers of labor. Foreign investment has been encouraged, but only in association with Mexican capital, and only on terms carefully laid down by the government.

Sometimes a President strays from the center of the road in his policies and provokes resentment and opposition. When this happens, the person chosen by the party for the next presidential term swings back to a position more favorable to the groups whose interests were neglected or hurt. The President who took office in December, 1970, Luis Echeverría Alvarez, represented just such a swing of the pendulum. His predecessor, Gustavo Díaz Ordaz, had clearly swung too far to the right in repressing manifestations of student discontent. Made nervous by the French student uprising in the spring of 1968

and the impending holding of the Olympic games in Mexico, Díaz Ordaz overreacted to a student protest movement which had escalated out of the poor handling by police of a trivial incident. As a result, in October, 1968, in the infamous "massacre of Tlatelolco," more than 100 participants in a non-violent demonstration were killed.

Echeverría made it clear that he saw his role as one of moving the system's center of gravity back to the left, to try to regain the allegiance of those alienated by the hard-line repressive tactics of the Díaz Ordaz period. Trying to emulate Lázaro Cárdenas, Mexico's great leftist President of the 1930's, Echeverría made unannounced trips to the provinces on weekends to listen to local complaints and to become acquainted with local problems and personalities. In his speeches, he stressed the need for social justice, and his economic policies began to soft-pedal the drive for growth at all costs and instead tried to move towards a more equal distribution of wealth and a reduction of foreign debt, even at the cost of a slower rate of growth.

After taking office, Echeverría began to release prisoners still held from the disturbances of 1968, but they were released in dribs and drabs over a period of time, rather than in the general amnesty that some had expected. Thus leftists have charged that there are still political prisoners in Mexican jails. The policy of gradual release was adopted to avoid arousing the opposition of deeply entrenched hard-line right-wing elements holding key positions within the system. However, the hard-liners showed that they were not ready to give up so easily, and elements within the regime organized and financed gangs of thugs, known as "porras," which attempted to intimidate student liberals in the universities and even in some high schools. Throughout 1971, disturbances took place at universities all over the country, often featuring armed clashes between left-wing and right-wing elements.

THE POLITICAL CRISIS OF 1971

In May, 1971, students occupied the medicine and economics buildings at the National

University in the Federal District to protest against the "porras" and to demand the release of the remaining political prisoners. Finally, on June 10, Corpus Christi Day, students from the National University began a march of protest from the university to the Zócalo, the main plaza in Mexico City and the location of the presidential palace. However, the demonstrators never reached the palace, but were set upon en route by a gang called *Los Halcones* ("the hawks"). The attackers used automatic weapons and killed at least 13 students, injuring many more, while police stood by without intervening.

President Echeverría was stunned and shaken. According to unofficial reports, he had planned the bold move of meeting with the demonstrators when they arrived at the Zócalo, telling them that he agreed with their views, and asking for their support in the struggle against reactionary elements within the regime. The attack on the marchers, with its indications of official connivance, was clearly designed to force him either to go along with the repression and thus become the prisoner of the irreconcilable elements within the regime, or else to resign, since he was unable to control his own government (indeed, there are indications that orders given by the President at that time were not being carried out).

The situation was saved for Echeverría when he received the unanimous backing of an emergency meeting of senior army commanders. This turned the tide in his favor in the sort of confrontation that had occurred in the 1920's and 1930's, but had not been seen in Mexico in over 30 years. His hand thus strengthened, Echeverría forced the resignation of the Mexico City police chief and of the governor of the Federal District, Alfonso Martínez Domínguez, a former president of the P.R.I. and a powerful figure thought likely to be a future President. He also secured the arrest of the commander of "special forces" in the Federal District. But the issue was not yet clearly resolved; subsequently Echeverría dismissed his attorney general over the unsuccessful conduct of the inquiry into responsibility for the organization and

financing of *Los Halcones*. However, the removal over subsequent months of supporters of Martínez Domínguez from positions in government and party hierarchies indicated that Echeverría was gradually gaining the upper hand in his struggle against the right-wing opposition within the regime.

The intellectual and student left, appreciating Echeverría's political dilemma, organized the "Movement of Popular Consultation," designed to be the initial stage in the organization of a new democratic socialist party and to serve as a counterbalance to the conservatives. The Movement was formed by Heberto Castillo, one of the leaders of the student movement of 1968, and by two of Mexico's leading writers, Carlos Fuentes and Octavio Paz. Jorge Cruikshank, the leader of the Marxist Popular Socialist party, long a satellite of the P.R.I. criticized the organizers of the M.C.P. as johnny-come-latelies, but the P.R.I. leadership, after initial hesitation, welcomed the new group. The Minister of the Interior, Manuel Moya Palencia, rather wistfully urged all "pressure groups" to come out into the open and organize as political parties instead of maneuvering behind the scenes.

GUERRILLAS ON THE LEFT

Echeverría came under siege during 1971 not only from the right within his own regime, but also from the extreme left, as Mexico began to see the same kind of urban and rural guerrilla activities that had become so prevalent in other Latin American countries. Although security forces tried to belittle the extent of guerrilla activity, guerrillas were reported active in Guerrero, Tabasco and Chiapas, with the major group in Guerrero under a former teacher, Genaro Vásquez Rojas. The MAR was also apparently responsible for a series of bank robberies and for the kidnapping in October, 1971, of Julio Hirschfeld, director general of airports, and, in November, of Jaime Castrejón Diez, rector of the University of Guerrero. Hirschfeld was released when Echeverría ordered the payment of the ransom demanded, 3 million pesos (a quarter of a million dollars),

which was subsequently reimbursed to the government by Hirschfeld's family. For Castrejón's release the kidnappers secured a similar ransom, and also the release and passage to Cuba of nine political prisoners associated with various far-left groups.

MAR members who had been arrested previously after failing to bring off planned kidnappings proved to have been trained in North Korea, and the government had retaliated by expelling not only diplomats from North Korea, but also five from the Soviet Union, including the Soviet *chargé d'affairs*, for allegedly having facilitated the guerrillas' travel between Mexico and North Korea.

THE SLACKENING ECONOMIC BOOM

On the economic front, 1971 saw a slackening of the sustained boom that had been enjoyed by Mexico over many years. Díaz Ordaz had borrowed heavily abroad, and at the end of his term Mexico's foreign indebtedness stood at \$3.5 billion. Moreover, economic difficulties in the United States had an adverse effect on tourism, a substantial earner of foreign exchange for Mexico. In 1970, a trade deficit of \$900 million had been registered, and the situation worsened in 1971 with President Richard Nixon's imposition of the 10 per cent surcharge on the importation of manufactured goods. A country which exported heavily to the United States and had a high proportion of those exports—about 40 per cent by value—in manufactured goods, Mexico was hurt worse by the surcharge than the other countries of Latin America.

Inflation also became more noticeable, reaching an annual rate of 6 per cent. However, Echeverría promised that the stability and the international convertibility of the peso would be maintained.

This situation indicated the necessity of a program to increase foreign exchange earnings by expanding exports and reducing imports. The expansion of tourism was encouraged by the modification of existing law to allow foreign ownership of seacoast land, which had previously been forbidden on security grounds. This resulted in something

of a real estate boom, as United States land developers rushed to buy sites suitable for development as resorts.

Efforts were made to attain self-sufficiency in petro-chemical products and, by further irrigation projects in the north of the country (which suffered from drought during most of 1971), to reduce the need for wheat imports. Similarly, plans were made to expand copper production to a level that would satisfy domestic demand and leave a surplus for export. As part of this program, in August, 1971, the government acquired a majority interest in the Cananea Mining Company, a subsidiary of Anaconda, paying U.S. \$48 million for 51 per cent of the company's stock. However, it was planned eventually to resell the stock to private investors, workers in the industry and the national bank.

The "Mexicanization" of Cananea, the last foreign-owned mining company of significance, completed the process, begun 25 years before, of establishing majority Mexican control of the mining industry. There was also an expansion in the tuna fishing fleet, and Mexico overtook Argentina to become, after Brazil, the second largest steel producer in Latin America.

And in October a Mexican delegation left for the Canton trade fair to see what could be done about expanding Mexican trade with China.

FOREIGN POLICY

1971 provided many examples of how the policy of balance applied in foreign policy, enabling Mexico to combine a revolutionary posture with good relations with the United States. President Echeverría spoke for his country in the opening debate in the U.N. General Assembly, criticizing the United States import surcharge. Mexico voted for the admission of Communist China and the expulsion of the Chinese Nationalists and broke off diplomatic relations with the Chiang Kai-shek government. She began the process of replacing the Taiwan regime by the

Mainlanders in the world organization's specialized bodies by successfully pushing the expulsion of the Nationalists from UNESCO. However, at the meeting in Lima of the "group of 77" underdeveloped nations to prepare a common position for the upcoming U.N. Conference on Trade and Development (UNCTAD) meeting in Santiago, the Mexicans fought attempts by other countries to adopt a strongly anti-United States position.

Echeverría continued Díaz Ordaz's policy of cultivating the Central American countries, with a view to expanding Mexico's trade with them. The results of this policy so far have not been encouraging. A series of meetings was held on Mexican soil with each of the Presidents of the Central American countries and Panama, except for Fidel Sánchez Hernández of El Salvador, whose successor, due to be elected early in 1972, will presumably receive an invitation.

THE RENEWED CONCERN FOR SOCIAL JUSTICE

President Echeverría's intention, repeatedly announced in his speeches, to stress social justice even at the expense of economic growth, reflected a concern that was widely shared in Mexico. The call for the founding of the Movement of Popular Consultation had emphasized the need to modify the unjust distribution of wealth and, indeed, a study published by the United Nations¹ showed that income distribution in Mexico, if not as unequal as that in Brazil, fell short not only of the degree of equality attained in North America and West Europe, but even of that shown by such Latin American countries as Costa Rica, Argentina and Panama.

A surprising new recruit to the cause of
(Continued on page 115)

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¹ *La distribución del ingreso en América Latina*, Comisión Económica para América Latina (New York, 1970).

"The bitterness of Bolivia's internal conflicts remains as intense as ever, and the unfortunate republic seems highly likely to undergo still further bouts of repression, betrayal and revenge."

Bolivia Swings Right

By LAURENCE WHITEHEAD
Official Fellow of Nuffield College, Oxford

ON JANUARY 10, 1971, Colonel Hugo Banzer, Commander of the elite *Colegio Militar* in La Paz, attempted a coup to overthrow the three-month-old "anti-imperialist" régime of General Juan José Torres. However, within a few hours the government succeeded in isolating what it described as a "fascist" conspiracy, and summoned a mass demonstration of workers and students to show that its military faction commanded the most popular support. In this public rally, Torres came under pressure from the demonstrators to purge the army of right-wing elements and distribute arms to civilians as a safeguard against future reactionary plots. In the following months, he gave way to these radical demands on a number of points, but he always drew the line at the distribution of arms to civilians.

Colonel Banzer and his principal collaborators were expelled from the army and sent into exile. As the Torres régime weakened, rumors became more insistent that Banzer (and fellow conspirators like the ambitious but low-ranking Captain Cayoja) had returned clandestinely to Bolivia and were being sheltered by military friends in the Santa Cruz district on the eastern lowland plains. Banzer's sponsors were said to range from Gulf Oil (whose Bolivian holdings were expropriated in 1969, with compensation terms negotiated in September, 1970) to the Brazilian government, with collaboration from the Falangist Socialista Boliviana (F.S.B.), a

right-wing party headed by the Santa Cruz politician Mario Gutierrez Gutierrez. Banzer himself comes from a land-owning family in the eastern lowland region (where most of the country's recent economic growth has been concentrated and where the Falangists have their main support), and received anti-guerrilla training in Panama and Texas. His impeccably right-wing credentials included a spell as Bolivia's military attaché in Washington, and a period as Minister of Education during the Presidency of General René Barrientos.

On August 18, 1971, the police in Santa Cruz captured him and a number of his collaborators and put them in the local jail. The remaining conspirators, who had apparently planned to time their rising for the next session of the People's Assembly on September 2, decided to act immediately. On August 19 the F.S.B. called a demonstration to demand the release of the 38 prisoners, and by the afternoon right-wing forces had seized control of the town square and the principal radio transmitters in Santa Cruz. The radios began to broadcast appeals for insurrection against the "Communist" government of General Torres. By late afternoon 14 of the prisoners had been released, while the rest, including Banzer, were hurriedly flown to La Paz where their custody would, it was supposed, be more secure. By nightfall on August 19 the university and trade union headquarters in Santa Cruz had both fallen to the insurgents, and the crack

Ranger Regiment, stationed 80 kilometers north of the city, declared its support for the rebellion.¹

Soon, garrisons all over the lowlands followed the lead of Santa Cruz, and almost without resistance two-thirds of the national territory passed into the hands of the insurgents, leaving Torres and his supporters confined to the more densely populated highland cities. The explanation for this geographical distribution is quite simple—Torres had not felt himself sufficiently secure to order a thorough-going purge of right-wing elements from the army, and had preferred to post them away from the capital city in the more isolated garrisons, which correspondingly became hotbeds of discontent. It was no secret that these garrisons were sheltering conspirators and promoting disloyalty to the central government.

The Rangers, headed by Colonel Selich, mounted a trial demonstration of their strength in Santa Cruz as early as March, 1971, and by July, 1971, explicit denunciations could be read in the left-wing press of the city. For example, *Prensa* of July 12 reported a threat to take them to court by the local army commander, because they had reported that ex-Colonel Banzer, protected by the high command, was openly inciting army officers in the department to a reactionary coup. The paper insisted that "the threatened coup was exposed when some officers of the Eighth Division, who refused to attend the meetings summoned by Colonel Banzer, reported his activities to the commander."² Since La Paz took no action over these de-

¹ It has had American training in anti-guerrilla warfare, and its commander, Colonel Andrés Selich—one of those responsible for the hunting down of Ché Guevara—appears to believe that his name tops a Cuban revenge list. He became Minister of the Interior to Banzer after the success of the coup, and exercises considerable power inside the present regime.

² *Prensa*, No. 2, Santa Cruz, July 12, 1971. This weekly paper was started up by the journalists' trade union in the city, which was dissatisfied with the way the established newspapers avoided controversial news items. In September, 1971, President Banzer's government proceeded to secure the dismissal of over 100 Bolivian journalists, and to harass foreign correspondents (e.g., for *Agence France Presse*). See *Latin America* (London), Vol. V, No. 40, p. 313.

nunciations it was impossible for General Torres' supporters inside the Eighth Division to do anything for the government. Indeed, the President had surrendered Santa Cruz to his enemies long before they came openly to defy him.

By August 20, with the rebels firmly in control of the lowlands, all the garrisons of highland Bolivia also began to debate which side they should take in the confrontation. A premature rising in the *Colegio Militar* of La Paz was quickly suppressed, appearing to give the local advantage to President Torres. But in reality his position was extremely weak. The student and trade union left attended mass demonstrations in his favor, but once again coupled their support with the demand that he distribute arms to the civilians. As Torres well knew, such a move would decisively polarize army opinion against him, while removing his last chance of exercising direction over Bolivia's Marxist groups. As he is reported to have told a miners' leader at this time, "If I give you arms, you will no longer need me." Few arms were therefore distributed, and the mass of civilians gathered in the sports stadium awaiting instructions on how to defend the regime went away empty-handed. The outcome would therefore depend on the balance of strength between the already-armed political groups.

A MILITARY COUP

For the most part, the behavior of the Bolivian army in August, 1971, conformed to the standard pattern of the Latin American military coup. Officers at each garrison engaged in heated arguments, in which it was not political ideology which determined the outcome, but the issue of how best to defend the integrity of the institution and one's own career. In view of the determination of the rebels and the vacillation and weakness of the government, most units were quick to decide. Torres soon lost the interior garrisons of Cochabamba, Oruro and Tarija, and even the Air Force base at El Alto, near La Paz (which had proved decisive in bringing him to power in October, 1970) was

paralyzed by indecision. Only one regiment—the Colorados, commanded by Major Ruben Sanchez, remained firmly behind the government and willing to fight. Apart from the Colorados, the “defense” of the regime was led by some 200 or 300 armed civilians from the various Marxist parties, who were fighting not to defend President Torres, but to radicalize the confrontation which he was attempting to bridge. After a day of fighting in La Paz in which about 200 may have died and perhaps 600 were injured, Colonel Banzer emerged from imprisonment to the Presidency, while General Torres, Major Sanchez, and the other principal figures in the former government hastened into exile.

It was the third major defeat for the Bolivian left in seven years, and perhaps the most humiliating. After all the publicity surrounding the “People’s Assembly” (which journalists in neighboring countries had half-seriously labeled the “First Soviet in the Americas”) it was ludicrous that no greater resistance could be mounted against such a long-awaited coup. In the rout of 1964–1965, when General Barrientos came to power and destroyed the left’s base in the trade union apparatus, there was at least an excuse—there was little advance warning of just how united and reactionary the reconstructed army had become—and the left had at any rate mounted a prolonged general strike and a violent, if hopeless, resistance. Likewise, even if Ché Guevara’s guerrilla operations of 1967 were politically mishandled and ended in disastrous failure, at least they demonstrated advance preparation, self-sacrifice and will-power.

By contrast, in August, 1971, the army’s reactionary potential was already established beyond doubt, although its temporary divisions had given the left a breathing space to prepare for the inevitable showdown. Indi-

vidual left-wing leaders may have demonstrated personal heroism in the course of the street-fighting, but as a group they revealed a total lack of preparation and an incapacity to act together or to carry out their obligations. Most of the dead and injured were bystanders, or modest workers, students and soldiers, while the political leaders of both left and right almost all escaped unhurt.⁸ President Torres had sworn that he could only be removed from the palace as a corpse, but when the crisis came he opted for a “tactical retreat,” and Banzer was surrendered to the rebels by his guards without resistance. This was not serious revolutionary politics, and the Socialists and Communists of neighboring Chile felt the need to assure their followers that the Bolivian farce could not be repeated further south.

Why, then, did Bolivia’s left prove so ineffective? Neither of the two leading figures of the overthrown regime were able to exercise much control over the heterogeneous forces which they headed (the verb “led” would be too strong). General Torres established a public image as a revolutionary nationalist, anti-imperialist and champion of the poor. Yet he was also remembered, at least by the more politically sophisticated, as the Minister of Labor in the Barrientos junta at the time of the crackdown on the trade unions, and as a leading member of the Bolivian military establishment at the time of the decision to execute the captured Ché Guevara. Hence the ambivalence of the traditional left towards Torres—always anxious to use his protection as a means to extend its influence, but half-hearted in his defense when he was threatened from the right.

To win the full confidence of the left Torres was required to go further in purging the army and deferring to the unions. He was prepared to go a long way in this direction—he belonged to the generation of young officers who were deeply impressed by the revolutionary upheavals of the early 1950’s—but in the last analysis he intended to preserve the army as a leading institution. Since he wavered between the irreconcilable pressures of the military and the unions, both

⁸ In Santa Cruz, Mario Gutierrez was slightly cut by a bomb blast which caused more serious injuries to lesser conspirators. In La Paz, the son of Major Sanchez, a student leader, finally died of injuries incurred during the fighting. A substantial number of left-wing activists were apparently killed after the transfer of power, but the main left-wing leaders all escaped the country.

elements progressively escaped his control, and in the eventual crisis he cut a pathetic figure.⁴

Juan Lechín was scarcely more in control of his supporters, despite his impressive list of functions (Executive Secretary of the Miners' Union, and of the Central Obrera Boliviana, and President of the People's Assembly). He has been the principal Labor leader in Bolivia ever since a national miners' union was founded in 1944, and was quick to re-emerge from exile into political prominence again in 1970, the moment the military allowed the independent trade union movement to re-form. However, there was no strong apparatus controlled by Lechín—his renewed importance was due rather to his capacity for maneuver between competing factions in the atomized labor movement. In the crises of October, 1970 (when Torres came to power), and January, 1971 (Banzer's abortive coup), Lechín managed temporarily to unite the whole of the left against the palpable threat of a "fascist" restoration but, as soon as the visible danger had passed, the weakness and disunity of his alliance once more became apparent.

THE "PEOPLE'S ASSEMBLY"

In theory, these discrepancies were to be hammered out in the "People's Assembly," which held a fortnight-long session with the blessing of Torres in July. The trade unions furnished the great majority of delegates, while only a minority organization of peasants

was allowed to attend, and six left-wing political parties were allowed two delegates each. No fraction of the M.N.R. (the party which mounted the 1952 revolution) was allowed formal representation, and supporters of Torres (e.g., a delegation from the military) were also excluded. The assembly in practice ensured its Marxist "purity" at the price of excluding potential allies of the left.

LACK OF UNITY

However, its narrow base of representation was not compensated for by unity of action among the Marxists, who were inclined to overestimate their true strength in the country, being misled by their strong position in the assembly, the university and the communications media.⁵ Each Marxist party was under pressure to outbid the others in its verbal radicalism, and as a result the assembly made many threats that it lacked the means to implement. Thus it was proposed that a people's militia be established, and that the assembly should bypass the existing (and highly ineffective) judicial system, formulating its own charges and even carrying out its own justice against those responsible for crimes against workers and students.

The assembly also proposed (and seemed on the point of securing) a trade-union-appointed majority on the directorial board of the nationalized mining company (Comibol). Considering the real weakness of the assembly's position, this conduct can only be described as an irresponsible provocation. Lechín certainly knew that the assembly's very existence depended on the protection afforded by the Torres government (so weak was its basis of support outside the debating hall that the opening session had to be postponed for two months *for lack of a quorum!*). But he lacked the strength or inclination to impose restraint. The intention of the assembly's activities was therefore to deprive the official state apparatus of almost all the key political functions, but the effect was totally to discredit the Torres régime, to encourage the use of local force as the best tactic for all of Bolivia's multifarious pressure groups, and to unite all those powerful but

⁴ By the evening of Saturday August 21 armored cars were approaching the Palace. "I inspected the possibilities of defending the Palace. No suitable weapons were available," he explained weakly in *Lecturas Dominicanas* (Lima) September 19, 1971.

⁵ In the course of 1970, all the universities in Bolivia underwent a "university revolution," as a result of which left-wing students secured virtual control, and many of Bolivia's left-wing intellectuals were invited to give lectures. The pitch of student radicalism rose still further in August and September, 1970, after the defeat of the Teoponte guerrillas composed largely of the national leadership of the Confederacion Universitaria Boliviana (see the author's article in *Inside News* (London) 1972, Vol. 1, No. 1). Then, during the first six months of 1971, a series of newspapers and radio stations were "co-operativized," i.e., taken over by the journalist employees and used to accelerate the process of radicalization.

disparate elements whose interests the assembly threatened.⁶

Perhaps the most serious left-wing provocation, however, took place after the assembly had adjourned. At the beginning of August a manifesto was published on behalf of the recently-created *Vanguardia Militar del Pueblo* (V.M.P.), entitled "The Revolutionary Outlook of an Anonymous Sector of the Nation." This analyzed the economic and social conditions of the lower ranks of the Bolivian army and concluded that they were the proletarians inside a class-stratified institution. It recommended an extension of the class war to the army garrisons and demanded the dissolution of the existing hierarchy and its replacement by a new "popular army at the service of the people." This, the document continued, "is the only way to wipe out our shameful past and achieve true national liberation. A new army under the leadership of the working class will enable us to eliminate the exploitation of man by man from Bolivia." Naturally the document was unsigned, but there is good reason to believe that it represented the views of over 100 junior officers who had joined the V.M.P., a secret society organized on a cellular basis. These were mostly young officers who had recently attended courses in one of Bolivia's universities, or who were in some way connected to a university through their families, and were as a result influenced by the revolutionary ideological climate which prevailed among the student population.

In one sense, the creation of the V.M.P.

⁶ The M.N.R.'s participation in the Banzer coup must be attributable, at least in part, to its exclusion from the People's Assembly. In the same way, since Torres never felt strong enough to allow ex-President Paz Estenssoro to return from his exile in Peru, the conspirators were able to secure the services of this venerable campaigner for an unusually low price. He was (merely) allowed to return to the country, and nominated five ministers, without exercising any public function.

⁷ According to ex-President Torres, in the interview already quoted, "In order to perpetrate their treasonable acts the officers of the air base and the Castrillo and Tarapacá regiments had to lock up the junior ranks and NCO's."

⁸ The contrasting backgrounds and attitudes of Major Sanchez and Colonel Selich are a good indicator of the heterogeneity and internal conflicts which afflict the Bolivian army.

could be regarded as the most serious effort by Bolivia's left to prepare for the coming confrontation, but once again the preparations were both well-publicized (therefore giving warning to the other side) and flimsy. The V.M.P. was active only among the forces stationed in the capital city, and in all units except the Colorado Regiment they were successfully isolated by their superiors.⁷ As for the Colorados, their commander, Major Ruben Sanchez, was wholeheartedly committed to the left, and therefore encouraged rather than isolated the V.M.P. His son and daughter were student militants, the daughter being a vehement delegate to the People's Assembly, and he himself was a rare case of a commander who had risen from the ranks, rather than passing through the *Colegio Militar*.⁸ His political outlook was also partly determined by his period of captivity at the hands of Ché Guevara's guerrillas. In the August fighting in La Paz, however, he appears to have underestimated the determination of the rebels, and was slow to distribute arms to civilians. Once again the threats of the left proved more terrible than their deeds.

The collapse of Torres brought to power an unstable alliance of groups united only by their commitment to order, private enterprise and anticommunism. A display of force was mounted around the university of La Paz, after which all universities were closed for six months, leaving students without their scholarships and academics without their salaries. It remains doubtful whether the government will be able to fulfil its plan to reopen the universities after a thorough purge. The communications media rapidly and unanimously switched over to a right-wing stance, and public employees of all

(Continued on page 117)

Laurence Whitehead spent 1967-1968 in Bolivia and returned for further study trips three times thereafter (most recently in July-September, 1971). Author of various articles on Bolivia and other Latin American countries, he specializes in the politics of Third World countries. He is currently preparing a book on Bolivian politics.

"Nineteen seventy-one demonstrated that Peru's ruling generals are neither blind ideologues nor revolutionary zealots committed to revamping society at any cost."

Peru Under the Generals

BY GEORGE W. GRAYSON

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FLAGS OF 95 NATIONS fluttered in the breeze which rushed past Lima's shiny new conference center as the "city of kings" was briefly transformed into the capital of the Third World during the II Ministerial Meeting of the Group of 77 developing states which convened in October, 1971.¹ African representatives clothed in rainbow-colored robes marched into the hall beside uniformed Latin American delegates; turban-wearing Indians exchanged pleasantries in the main corridor with a group of swarthy Algerians; and a handful of Guevara-quoting Cubans offered fraternal greetings to stone-faced delegates from Southeast Asia. But silence swept the chamber as General Juan Velasco Alvarado, head of the junta which toppled democratically-elected Presi-

dent Fernando Belaúnde Terry three years before, strode to the podium to open the session.

His message, simultaneously translated into a half-dozen languages, served both to welcome the visitors and reiterate the fundamental principles of Peruvian foreign relations under the ruling generals and admirals. While economic pressures have forced Peru's "Revolutionary Government" to act more conservatively in domestic affairs, its international policy—based on nationalism and independence, political pluralism and leadership of Third World states—exhibits the regime's early radicalism.²

Velasco, in a speech peppered with Marxist rhetoric, expressed a preference for a concerted struggle against underdevelopment rather than unproductive wailing over alleged wrongs committed by industrial nations. "Our hardships and our injustices are also the work of our own hands," stated the general-turned-politician, "and we shall get nowhere if we insist that others alone are to blame for their existence." Instead, Velasco urged the assembly to take the "first step" toward liberation by shedding "all forms of deference and subordination to the peoples and governments that formerly exercised undisputed control over the world."³

¹ With the addition of Cuba, invited to the Lima meeting by Velasco, the "Group of 77" now embraces 95 developing nations. Their meeting, which began on October 25, 1971, was called to prepare joint positions on economic problems for the third United Nations Trade and Development Conference (U.N.C.T.A.D. III), to convene in Santiago, Chile, in March, 1972.

² For analyses of the first two years of the Peruvian military government, see Richard Lee Clinton, "The Modernizing Military: The Case of Peru," *Inter-American Economic Affairs*, Vol. 24, No. 4 (spring, 1971), pp. 43-66; my "Peru's Military Government," *Current History*, Vol. 58, No. 342 (February, 1970), pp. 65-72, 114-115; and my "Peru's Military Populism," *Current History*, Vol. 60, No. 354 (February, 1971), pp. 71-77, 116.

³ República Peruana, Oficina Nacional de Información, *Address Delivered by General Juan Velasco Alvarado, President of the Republic, at the Opening Meeting of the II Ministerial Meeting of the Group of 77* (Lima: Empresa Editora del Diario Oficial "El Peruano," 1971), p. 5.

pany (I.P.C.), a Standard Oil of New Jersey subsidiary long regarded as a foreign intrusion into the Peruvian economy.⁴ In the face of threatened retaliation from the Nixon administration—the Hickenlooper Amendment to the Foreign Assistance Act requires suspension of foreign aid to any country that fails to compensate United States firms for expropriated property—the Velasco regime held firm, enjoying the wide acclaim that the I.P.C. seizure generated in Peru and other Latin American countries. To date the Peruvians, who boast their own state petroleum company (Petro-Perú), have not paid a penny in compensation to the I.P.C., and Washington, wedded to "low profile" diplomacy and recognizing that neither I.P.C. nor the American business community in Lima wants the Hickenlooper Amendment imposed lest the Peruvians take a harsher line on existing investment, has chosen to embrace the fiction that appropriate steps are being taken to settle the dispute rather than risk confrontation with the popular Velasco regime.

This same nationalist independence evident in the oil dispute motivates Peru's claim to sovereignty over 200 miles of coastal waters. The Peruvian navy has captured and fined a number of San Diego-based fishing trawlers found within the zone, prompting the United States Congress to enact legislation (which has never been invoked) whereby the amount of fines levied against American fishermen may be deducted from aid destined for Peru.

At present the Nixon administration is attempting to devise a formula that will soothe Peru's nationalist sensibilities while enabling American tuna-clippers to fish unmolested. This issue was aired during presidential adviser Robert H. Finch's goodwill visit to Lima last fall, and Velasco appears to have moderated his position: for example, while the Ecuadoreans seized 50 United States fishing boats in 1971, the Peruvians apprehended only one.

Velasco's "77" speech also revealed his

⁴ For the background of the I.P.C. controversy, see Richard N. Goodwin, "Letter from Peru," *The New Yorker*, May 17, 1969, pp. 41-109.

advocacy of "political pluralism," the belief that ideological differences should be deemphasized in favor of cooperation on specific programs to fight underdevelopment. In keeping with this doctrine, Peru's Foreign Minister, Edgardo Mercado Jarrín, has forged working, if not amicable, relations with countries of widely different political hues. Soon after the generals took over, Mercado exchanged ambassadors with the Soviet Union and other Eastern bloc nations, with which economic intercourse has increased. On September 6, 1971, an accord was signed with the Soviet Union under which the Russians will provide technical and financial assistance for construction of a fishing port at Paita. Peru has also opened a trade office in Peking, agreed to exchange minerals, sugar and fish products for Chinese soya, silk, laboratory equipment and machine tools, on August 6, 1971, announced diplomatic recognition of the People's Republic of China, and voted for its admission to the United Nations.

Despite the I.P.C. imbroglio and friction over the coastal waters question, relations have improved noticeably with the United States during the past 18 months as the Peruvians, recognizing that the Soviet bloc and European nations are, respectively, unable and unwilling to provide the capital they need, have shown keen interest in attracting American investors. This thaw was obvious in July, 1971, when Señora Velasco journeyed to Washington to confer the Grand Cross of the Order of the Sun, Peru's highest honor, on Mrs. Nixon for her role in providing relief for the victims of the 1970 earthquake that struck Ancash province.

Within Latin America, Peru's brand of political pluralism is the current sacrament. Foreign Minister Mercado Jarrín has carefully nurtured relations with Brazil's right-wing generals so that now the two countries enjoy exceedingly close ties. A communiqué issued after his March, 1971, visit to Brasilia denounced terrorism, expressed interest in increased trade, reactivated a mixed-commission to encourage frontier traffic, and stated agreement on the 200-mile coastal waters question. Similarly, he has courted Brazil's

rival, Argentina, whose center-right government is headed by General Alejandro Lanusse, a visitor to Peru in mid-October, 1971.

Amid the same fraternal atmosphere, Chile's Socialist President Salvador Allende spent three days in Lima in September, 1971. Eschewing conversations about ideology, Velasco, a Christian general, and Allende, an atheistic Marxist, found themselves in agreement on the 200-mile limit, opposition to the French nuclear tests in the South Pacific, the need to strengthen the Andean common market, opposition to the protectionism of President Richard Nixon's anti-inflation program, and the importance of freeing their countries from foreign economic domination. At a banquet given in his honor, the "comrade President," as he is called in Santiago, stated that because similar "illegitimate pressures" buffet both countries, "Chile . . . expresses its total solidarity with the people and government of Peru in defense of their economic patrimony and in the full exercise of their sovereignty."⁵

Peru has also strengthened her ties with Communist Cuba, where the Peruvian generals have been called "revolutionary." Premier Fidel Castro dispatched an aid mission at the time of the 1970 earthquake, which was the first official contact outside of the United Nations between the "Pearl of the Antilles" and a South American nation since the Organization of American states (O.A.S.) voted to break relations with the Castro government six years before. On June 27, 1970, Peru joined Bolivia to urge that "O.A.S. members consider renewing diplomatic and foreign trade with Cuba." Fourteen months later, General Velasco announced that his government was considering exchanging ambassadors with the regime of Castro, who visited Peru on his return from a ten-day tour of Chile last November.

⁵ *Oiga* (Lima), September 3, 1971, p. 12.

⁶ Republic of Peru, National Information Office, *Speech by General de División Juan Velasco Alvarado, President of the Republic, at the Inauguration of the Twelfth Assembly of Inter-National [sic] Development Bank Governors* (Lima: Editorial Enterprise of the Official Newspaper, *The Peruvian*, 1971), p. 14.

As evidenced by its hosting the recent "Group of 77" meeting, Velasco's Peru is bidding for a leadership role within Latin America and the developing world. At the May, 1971, Governors' meeting, the Peruvian chief executive single-handedly took on the Inter-American Development Bank, charging that it and other international economic organizations discriminated against revolutionary governments such as Peru's because of political pressures from, presumably, the United States. In a voice choked with emotion, the 61-year-old general suggested that his country and others should "think over whether it still makes some significant sense to continue to be associated to [sic] an institution which does not seem to respond to our expectations and most urgent needs."⁶ A few weeks after this indictment, the bank awarded Peru a \$11.8-million, long-term, low-interest loan for road construction in the northern jungle region.

Velasco later stood up to France, demanding that she stop nuclear tests on the Muroroa atoll in the South Pacific lest Peru break diplomatic relations. In the wake of charges that the explosions fouled the environment and threatened genetic damage, France halted testing, even though two additional bombs were scheduled to be detonated in the five-blast series. Other Pacific nations praised the Peruvian initiative.

Peru continues to dominate activities of the Andean common market, created in 1969 to promote trade, erect a common tariff wall, and establish uniform policies on foreign investment among its five members—Bolivia, Chile, Colombia, Ecuador, and Peru. The market's new headquarters will soon open in Lima.

Similarly, Peru's untiring quest for recognition of 200-mile maritime limits has sent her diplomats continent-hopping in search of allies. Among recent converts to this position, strongly resisted by sea powers like the Soviet Union and the United States, are Brazil, Cuba, mainland China and a handful of African nations.

The Revolutionary Government has stamped a parenthesis on Peruvian politics.

It sent President Belaúnde into exile, shut down Congress, spurned any "dialogue" with political parties, undercut the supposedly independent judiciary and intimidated the press. The people, fed up with self-serving *políticos* and cynical party alliances, have generally approved these measures, designed to clear the way for a new Peruvian man in a new Peruvian society that will provide an alternative to "avaricious capitalism" and "heartless communism." Yet their inability to involve the people in the process of change now occurring in Peru or even to forge links between the government and the masses poses the most intractable problem facing Peru's generals.

Thus far Peru's uniformed leaders have relied heavily upon mass demonstration to assure contact with the people. Public rallies attended such government action as the I.P.C. takeover and the agrarian reform; huge crowds formed "spontaneously" when Velasco publicly identified his regime with the national soccer team which won a berth in the World Cup playoffs in 1969; 200,000 jubilant, shouting Peruvians swarmed into Lima's 400-year-old Plaza de Armas to celebrate the second anniversary of the military junta; and enthusiastic masses greeted the President during a September, 1971, tour of the southern departments of Puno, Cuzco, Tacna, Moquegua and Arequipa.

How can the generals institutionalize the support that they enjoy? The first attempt to form a political organization came in 1969, when zealous civilians working in the agrarian reform agency began setting up Committees for Defense of the Revolution (C.D.R.'s) on properties expropriated by the government. These bodies, which sounded ominously like Cuba's block-level surveillance organizations, raised the hackles of several conservative generals, and their proliferation has been stopped. Now only a handful of committees exist.⁷

Similarly, a "multi-sectoral front against underdevelopment" proclaimed by Velasco in late 1970 to unite workers and industrialists

throughout the economy in the government's battle for modernization never got off the ground.

A National Planning Office report, published in March, 1971, urged formation of an official agency to "increase the awareness of the population and control their organization." This proposal became a reality three months later when the Revolutionary Government announced creation of a National Office for Support of Mobilization (Oficina Nacional de Apoyo a la Movilización Social—S.I.N.A.M.O.S.), headed by Brigadier General Leonidas Rodríguez Figueroa, commander of the army's powerful armoured division and a key member of the 17-officer committee that advises the President.

Called by the respected British weekly *Latin America* "a giant step . . . in the direction of setting up a corporatist state in Peru,"⁸ S.I.N.A.M.O.S. will take charge of public works committees, assume responsibilities for the cooperatives established by the agrarian reform, and coordinate government activities in the shantytowns, euphemistically called *pueblos jóvenes*, which encircle Lima and other major cities. Although its only action thus far has been to drum up crowds for the President's southern tour, the new organization will presumably find ways to involve the masses in the revolution.

What relation, if any, will the mobilization program have to the Industrial Communities (*Comunidades Industriales*—C.I.'s) that are springing up in Peru? Established under Article 23 of the General Law of Industries, these Communities provide a means for workers to share in the ownership and management of industrial enterprises. Specifically, most firms must distribute 10 per cent of their pre-tax profits to workers and 15 per cent of their earnings to the C.I. for purchase of shares in the enterprise. As ownership of equity increases, each C.I. expands its strength on the board of directors, until it chooses half the members. C.I.'s, also found in the mining and fishmeal sectors, are expected to enhance efficiency, spur production, reduce worker turnover, and attenuate conflict between labor and management.

⁷ *The New York Times*, April 18, 1971, p. 24.

⁸ *Latin America* (London), July 2, 1971, p. 209.

If organized locally and regionally and linked to the central government, the Communities could serve as vital structures in a corporate state. However, the Revolutionary Government has demonstrated little patience with C.I.'s that act independently. For example, when 1,200 workers at the state iron and steel complex (S.O.G.E.S.A.) in Chimbote struck in August, 1971, the local Community asserted that workers on the board suffered discrimination, had no power and were denied access to the corporation's books. The admiral in charge of S.O.G.E.S.A. had only contempt for the Community, claiming that it was acting like another labor union and that its representatives had not considered all the problems confronting the company.⁹

Vagueness now clouds the regime's mobilization efforts as the generals apparently realize the need for organizing public support, yet seem reluctant to get too involved in political maneuvering. In the absence of a forum for bargaining with the opposition, Velasco has elected to label those who criticize his government as "extremists" of the right or left, "C.I.A. agents" or "counter-revolutionaries." He is forever unearthing "plots" that prove his regime is under attack. Prior to Allende's visit, four *falangistas* including journalist Carlos Sobeñes sought asylum in the Salvadorean embassy, proof for the government that in concert with the Central Intelligence Agency they had sought to generate a "false climate of agitation and disorder."¹⁰

The truth is that the Revolutionary Government has severely crippled the right with a series of moves—e.g., the agrarian reform, general water law, exchange controls, the general law of industries, and banking reform. Moreover, the army has interdicted most publications that have criticized the regime, giving the government considerable control over the printed word. Still, *La*

Prensa, owned by Pedro Beltran, Belaúnde's Prime Minister and a member of Peru's "40 families" elite, continues to criticize the Industrial Communities and other official initiatives.

The American Popular Revolutionary Alliance (Alianza Popular Revolucionaria Americana—A.P.R.A.) remains the major organized opposition to the regime on the right. Once on the extreme left of the Peruvian political spectrum and violently opposed to the military which served as the Praetorian guard for the landowning oligarchy, A.P.R.A., through alliances forged over 25 years, has become increasingly conservative, while the armed forces have evinced radical tendencies. In a February 22, 1971, birthday speech, A.P.R.A.'s 76-year-old leader Víctor Raúl Haya de la Torre accused the generals of having stolen many of their programs from the pages of *aprista* political tracts. This did not prevent him from attacking the government for its foreign investment policy, its confiscatory land reform and its failure to hold elections. That only 10,000 *aprista* faithfuls shuffled into the Plaza San Martín for this performance—a far cry from the crowds of 100,000 or more that gathered a few years ago—indicates that A.P.R.A.'s *jefe máximo* has lost the ability to mesmerize his predominantly Indian followers.¹¹

THREAT FROM THE LEFT

The left poses more of a threat to the government. The Communist-led General Confederation of Peruvian Workers (Confederación General de Trabajadores del Perú—C.G.T.P.), which gained official recognition in early 1971, has spearheaded a series of strikes in steel plants, sugar cooperatives, and the textile industry. More important, the C.G.T.P. reportedly inspired over 60 strikes against the Cerro de Pasco, Marcona, and Southern Peru mining corporations. At first the government sided with the workers in labor disputes, hoping to cultivate the C.G.T.P. as an ally against the A.P.R.A.-dominated General Confederation of Workers. As the rhythm of strikes increased, causing losses of precious foreign exchange,

⁹ *Andean Air Mail & Peruvian Times* (Lima), August 27, 1971, p. 2.

¹⁰ *Latin America* (London), September 10, 1971, p. 296.

¹¹ *Ibid.*, March 5, 1971, p. 77.

the government terminated its honeymoon with the C.G.T.P. Rather than extending a conciliatory hand, it countered violence by breaking strikes, occupying union headquarters and jailing labor leaders. After the Civil Guard shot five strikers at Cerro de Pasco's Cobriza mine, the union agreed to return to work.¹²

Similarly, the government has taken an increasingly hard line against other strike leaders, exiling Trotskyite Hugo Blanco for his rabble-rousing among peasants and teachers, expelling Julio Armancanqui for leading a two-week work stoppage on behalf of Peru's 120,000 teachers, and banishing Ricardo Letts from the country for encouraging students to protest government policies.

In the face of challenges from the left, the government has inched toward the center, and during the past year Velasco has consistently replaced radical or politically-ambitious ministers with technicians, who can be counted on to work efficiently and to follow orders. In March, 1971, the Minister of Agriculture, General Jorge Barandiarán Pagador, resigned in the wake of rural violence that attended the application of Peru's agrarian reform, under which 6.25 million acres have been expropriated. When General Enrique Valdez Angulo, an important member of the President's Advisory Commission, replaced Barandiarán, it was "the first time since the military coup of October, 1968, that a resigning minister had not been replaced by a more radical one."¹³

Six weeks later, Velasco accepted the resignations of three other Cabinet members: Admiral Jorge Dellepiane (industry), General Alfredo Arrisueño (education), and General Rolando Caro Constantini (health). Dellepiane, one of the most radical ministers, apparently fell from grace when his interpretation of industrial reform law brought beads of perspiration to the brow of private and foreign investors whose capital is needed for the revolution's success. His successor, Admiral Alberto Jiménez de Luccio, who studied

at the United States Naval Academy and at M.I.T., distinguished himself as the brains behind the Peruvian navy's ship-building program. Arrisueño gained public attention for the radical reforms promoted by the education ministry. For example, a proposed education law called for the elimination of private (including parochial) schools, and proposed that religious training in the public schools become an extra-curricular activity like athletics or Boy Scouts. While frequently check-mated in Cabinet meetings, Arrisueño held on to his portfolio until student protests triggered violent confrontations with the police. Then he was replaced by General Alfredo Carpio Becerra, former administrator of the government's activities in the *pueblos jóvenes* and a close ally of Prime Minister Ernesto Montagne, generally considered as the most conservative figure in the current government.

Less is known about the ouster of Caro Constantini, whose replacement as Health Minister is General Fernando Miró Quesada Bahamondes, a relatively obscure member of the family which publishes *El Comercio*, a Lima daily famous for its nationalism and support of the military regime.¹⁴

The most dramatic resignation came in June, 1971, when General Armando Artola, Minister of Interior, left the Cabinet following the arrest for 12 hours of Monsignor Luis Bambarén, auxiliary bishop of Lima. Artola, a jowly extroverted crony of the President, had frequently visited the *pueblos jóvenes*, where he enjoyed folk dancing during fiestas. To many it appeared that the portly minister had sought to develop a personal following, perhaps with an eye to future elections. His major competitor for the affection of the shanty-town dwellers was Bambarén, known as "Bishop of the Young Towns," where he lives in a humble home. When Bambarén delivered an open air mass following the death of a squatter in a clash with the police, Artola called him an "agitator in a cassock" and had him and a fellow priest locked up for "disrupting public tranquility."

Upon hearing of the incident, Velasco, anxious to maintain good relations with the

¹² *Ibid.*, November 19, 1971, p. 371.

¹³ *Ibid.*, May 7, 1971, p. 149.

¹⁴ *Ibid.*, p. 149.

Church which remains one of his firmest supporters,¹⁵ ordered the bishop's release and a public apology, after which he accepted Artola's resignation. His replacement, General Pedro Richter Prada, has cracked down on prostitution and has curtailed narcotics smuggling, a good deal of which was linked to Peru's special police, the P.I.P.

Despite rumors of his impending resignation which flooded the air in June, 1971, Velasco remains confidently in control of the government, even though he is about 10 years older and comes from a different military generation than his ministers. The next possible Cabinet change may come in early 1972 when General Edgardo Mercado Jarrín, Peru's foreign minister and a possible future president, is scheduled to become commander-in-chief of the armed forces.

Economic factors help explain the political stance of the Velasco regime. During 1970, many of Peru's generals talked in aggressive nationalist terms which struck fear into the hearts of domestic capitalists and foreign investors, who demonstrated particular concern over the General Law of Industries which reserved to the state such basic industries as paper, chemicals, steel, cement and non-ferrous metals. In that year, the gross domestic product shot up 7.3 per cent, thanks to growth in the world demand for protein which sent the price of fishmeal, Peru's major export, to \$200 per ton, massive reconstruction in the wake of the earthquake, an attractive price for copper exports, a sharp increase in sugar sales, and increased liquidity resulting from a new exchange control law.¹⁶ A

¹⁵ For an analysis of Church-state relations under the military government, see my "The Church and Military in Peru: From Reaction to Revolution," a paper prepared for delivery at the Conference on Religion and Political Modernization, East-West Center, Honolulu, Hawaii, March 22-26, 1971 (mimeo).

¹⁶ Decree-law 18275, enacted on May 15, 1970, prohibited citizens of Peru from holding foreign exchange in their country or abroad. Because one who violates the law risks up to five years in prison, confiscation of the currency involved, and a fine equal to 10 times its value, Peruvians converted large amounts of their foreign monies and engaged in an unprecedented buying spree.

¹⁷ An informed discussion of the development plan appears in *Bank of London & South America Review*, Vol. 15, No. 54 (June, 1971), pp. 332-334.

\$429-million trade surplus helped the government acquire monies for its social reform programs without relying heavily on private and foreign investors. At the same time, the cost of living crept up only 5.6 per cent.

These conditions changed in 1971 as a glut of fishmeal on the world market caused prices to nose-dive and pungent-smelling stocks to pile up on the wharves of Callao and other Peruvian ports. Copper prices on the London Metals Exchange have dropped nearly 40 per cent in the past two years, while domestic production has fallen due to massive strikes. Pay increases to teachers and other government employees have cut into the investment budget, already reduced because tax collections brought in only \$100 million between January and July, instead of the \$126 million that was anticipated. The upshot was that G.D.P. climbed only 3.5 per cent during the first six months of 1971, scarcely half of the anticipated rate; foreign reserves declined \$57 million to \$221 million between January and April; and unemployment continues to plague the economy. Moreover, an effort to refinance Peru's foreign debt held by nine European nations and Japan and requiring payments of \$611 million by 1974 proved unsuccessful.

These figures reveal why an increasingly less radical government has taken such a hard-line against strikers and why great efforts are now being made to encourage foreign investment and loans, \$1,816 million of which are needed between 1971 and 1975 to obtain the 7.5 per cent annual growth rate projected in the new five-year development plan.¹⁷

Although there are no grounds for mis-
(Continued on page 116)

George W. Grayson has made six trips to Latin America in the past six years. He is the author of a study of Chilean politics entitled *El Partido Demócrata Cristiano Chileno* (Buenos Aires: Editorial Francisco de Aguirre, 1968) and has written a number of articles for scholarly journals. He lectures at the Foreign Service Institute of the Department of State.

Although this specialist believes that "Uruguay's future . . . remains as uncertain as ever," he believes that "If the Uruguayos and their leaders can find the inspiration for Batlle-like reforms and the courage to carry them out, the little republic may well recover the ease and well-being of former days."

Uruguay's Lost Paradise

BY SAMUEL SHAPIRO

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IN 1950, when the Korean War was about to give a sharp upward boost to agricultural commodity prices, Uruguay was completing more than four decades of political stability, enjoying satisfactory economic development and one of the most advanced welfare systems in the world. The nation's two and a quarter million people enjoyed the third highest standard of living in Latin America, higher than that of several European countries, and almost on a level with Japan. Montevideo's meat packing plants processed a record 342,000 metric tons of beef that year, leaving enough, after a staggering home consumption of 176 pounds per capita, for a record 63,000 metric tons of exports.

Exiles from war and dictatorship elsewhere in South America and Europe found a haven in Uruguay, attracted by the country's prosperous economy (with a hard-currency *peso* pegged at two to the dollar), political stability and an atmosphere of freedom and content. In a long list of statistics—a life expectancy of over 65 years, newspaper circulation, per cent enrolled in higher education, maternal and infant health—Uruguay was first or second in Latin America. Foreigners wrote books entitled *Utopia in Uruguay* (Simon Hanson: Oxford, 1938), and spoke of "The Switzerland of South America"; Uruguayos themselves proudly quoted the

national slogan, "*Como Uruguay, no hay*" (There's no country like ours).

In 1972, after two decades of economic and political misfortune and mismanagement, only a few fragments of that glowing heritage remain. True to her democratic traditions, Uruguay carried out a peaceful, open, and honest presidential and congressional election in November, 1971. Despite some restrictions on civil liberties (several newspapers were closed; a few hundred political prisoners were held without trial), the nation remains vastly freer than Brazil and Argentina, the immensely larger military dictatorships that border her on the north and west. The Gross National Product of nearly \$2 billion, though stable or declining in recent years, is still one of the highest *per capita* in Latin America; and it is much more equitably distributed than it is anywhere else in the hemisphere. But every measurable statistic and every informal attempt to describe Uruguay's national mood indicate a downward spiral into underdevelopment, distrust and despair. In 1969, Uruguayan government officials themselves had to ask shamefacedly that the Latin American Free Trade Association (LAFTA) classify them as "underdeveloped," along with such economic laggards as Peru, Ecuador and Bolivia.

Uruguay's domestic tranquillity, once so attractive to tourists, exiles and refugees, has

been disrupted by an unceasing wave of strikes, demonstrations, riots, guerrilla raids, prison breaks and political kidnappings and murders. The *peso*, once a desirable hard currency, has been repeatedly and disastrously devalued, from two to the dollar in 1950 to 11 to 1 in 1962, 65 to 1 in 1965, 100 to 1 in 1967, and 250 to 1 in April, 1968; between 1955 and 1970 Uruguay endured an inflation of 9,000 per cent. Because of sharp declines in volume and prices for her exports of beef, wool and wheat, Uruguay's Gross National Product fell 15 per cent between 1956 and 1968, and the once proud little republic thus had the worst inflation and the lowest rate of economic growth in the hemisphere.

The 1964 census (the first since 1908, in itself a sign of governmental incompetence) destroyed some illusions. Uruguayans thought they had 3.2 million people, 90 per cent literate; they discovered that there were only 2.5 million, of whom 289,000 had never been to school, with another 1 million who had not progressed beyond the sixth grade. Immigration, which had produced a society 90 per cent European and 8 per cent mestizo (mixed European and Indian) had ceased, and people were leaving the country in increasing numbers: 3,700 in 1961, 17,000 in 1968. And it was the youngest, best educated and economically most valuable people who were leaving, fleeing the stagnant, depressing bleakness of an economy that could offer them no jobs.

With an estimated 150,000 abortions a year, Uruguay had the lowest birthrate (21/1000), the lowest rate of population growth (1.2 per cent), and the oldest population in the hemisphere; there are more Uruguayans over 50 years of age than under. The causes of the rise and subsequent decline of the welfare state on the eastern shore of the Uruguay are interesting and important beyond the diminutive republic's borders.

THE BATLLE REGIME

Modern Uruguay was created by the remarkable politician and social reformer José Batlle y Ordóñez (President 1903-1907, 1911-1915). When Batlle arrived on the

scene, Uruguay was no different from the other Latin nations, economically backward and divided, heavily in debt, a prey to political upheavals and civil war. In the 73 years between 1830 and 1903, there were 25 governments, most of them illegitimate. Nine were brought down by violence, two by assassination, one by a bullet wound; ten of the remaining thirteen had to fight off major armed revolts.

Batlle, a political genius who dominated his Colorado party and the nation until his death in 1929, ended all that. He crushed the last caudillo revolt during his first presidency; there have been none since. With astonishing foresight, Batlle established one of the world's first welfare states before the outbreak of World War I: by the time of his death, Uruguay had free medical care, accident and unemployment insurance, a system of state pensions, the 8-hour day and the 44-hour week, and government operated public utilities, radio stations, a fishing fleet, insurance companies, chemical plants, an airline, distilleries, theaters, casinos and hotels. Batlle's innovations were so successful and his influence was so compelling that long after his death Uruguay experimented, unsuccessfully, with one of his pet ideas, a plural executive, with members serving as President for one year each.

For all his reforming zeal, however, Batlle did not touch the basis of Uruguay's economic life, the land. He was a man of Montevideo, the giant city where nearly half of Uruguay's citizens live, and most of his actions were taken for the benefit of the urban worker and the middle class; he thought the problem of agricultural inefficiency and rural poverty could be left to take care of itself. Since neither the Colorados nor the landowner-dominated opposition party Blancos have ever pressed for agrarian reform, 500 families currently own or operate 8.2 million hectares, half the farmland in the country, and control 70 per cent of the wool clip.

The great haciendas, though they have some of the finest land in the continent, are very badly run, with a minimum investment in machinery, fertilizer and modern methods.

of management. Uruguayan sheep, for example, produce only 2.9 kilos of wool apiece, as against 3.9 kilos in Australia and 4.5 in New Zealand. Similarly, it takes 27 Uruguayan cattle to produce a ton of beef; better breeds and better feeds yield a ton of beef for every 17 cattle in Argentina, 15 in the United States, 13 in Holland. Falling prices and stagnant agricultural output (beef production reached its peak in 1950, and wool output in 1954) have undermined the basic export economy which paid for Uruguay's imports and the urban welfare state.

A simple comparison shows the narrowing livestock base upon which the nation's prosperity rested:

TABLE I: LIVESTOCK

Year	Cattle (millions)	Cattle (per capita)	Sheep (millions)	Sheep (per capita)
1908	8.2	8	26.3	25
1961	8.8	3	21.7	8

ECONOMIC CRISIS

Between the outbreak of World War II in 1939 and the end of the Korean War in 1953, the basic weaknesses of the Uruguayan economy were concealed by high export prices and the growth of a home industry shielded from foreign competition by wartime conditions and high tariffs. But although the number of factories in Uruguay increased from 15,000 in 1938 to 30,000 in 1961, and one-fifth of the labor force is in manufacturing and construction, Uruguayan products like textiles, chemicals and pharmaceuticals are high-cost, uncompetitive items that cannot be exported even to neighboring Brazil and Argentina. A small plastics industry survives, for example, only because there is a 225 per cent tariff on imported plastic containers, plus an import deposit of 200 per cent more, in addition to irregular but frequent foreign exchange control regulations and import bans that shut off competition.

With a home market of less than three million people, an enfeebled agricultural sector that buys little machinery, fertilizer or consumer goods, and few native raw materials (Uruguay has no coal, oil, iron or alumini-

num), Uruguayan industrialists run inefficient, low-productivity plants and depend on government favors for their continued existence. Concentration of power is as great (or greater) in industry as it is in agriculture: 3.6 per cent of the industrialists control 74 per cent of industrial output. Like the great landowners with whom they are allied in marriage and in politics, Uruguay's businessmen are too often incompetents who want the financial rewards of entrepreneurship without the hard and intelligent risk-taking that ought to earn them.

The long-term economic crisis called for considerable belt-tightening, agrarian reform, and a cut-back in Uruguay's remarkably generous pension laws. Succeeding generations of politicians have reduced the retirement age to 55 or 50; members of the armed forces may retire as early as 32 if they have put in 15 years of service, and women with children can retire on a reduced pension after only 10 years. At age 55, one in three Uruguayan workers is retired, and there are presently 350,000 pensioners to be supported by an active population of less than one million (of whom 170,000 are presently unemployed). Another 230,000 government employees, many of them severely underemployed, take 75 per cent of the government budget; 19 of the 22 government corporations currently lose money. PLUNA, the government airline, is a good example of bureaucratic waste and inefficiency. Between 1958 and 1966, as the number of operational airplanes fell from nine to six, the payroll rose from 700 to 1,000; PLUNA has more employees per plane than any other airline in the world.

Some of the remedies for these problems are obvious, and have been patiently pointed out by foreign and native economists for decades. But in a democracy not faced by foreign war or another obvious crisis situation it is very difficult to take away benefits people have grown to expect, and to which they feel entitled. Blancos and Colorados alike have felt it psychologically unpalatable and politically impossible to tell their countrymen the truth: that they are living beyond

their means, not working hard enough, retiring too early, and aspiring to consume without producing. They have resorted instead to demagogery, promises, borrowing abroad (Uruguay's foreign debt, as of August, 1970, was a crushing \$530 million, \$183 per capita) and inflation.

In the wake of the continuing economic crisis the party system deteriorated, and the once fairly clear ideological differences between the Colorados (Batlle's party of the urban workers and the middle class) and the Blancos (the rural *hacendados*) melted away. In 1958, and again in 1962, the Blancos won, after 93 years in opposition, but proved incapable of effective government under the multiple executive system then in effect. In 1966, a new constitution restored the presidential system, and a Colorado President, retired General Oscar Gestido, returned his party to power.

POLITICAL DIFFICULTIES

Gestido, who had begun reform as administrator of PLUNA and of the nation's railroads, told his countrymen the truth: "Uruguay is in a mess. But with common sense we can straighten it out." He made a promising beginning, with crackdowns on speculators, a tough approach to strikers, and a war against smuggling (it is estimated that more than one-third of Uruguay's imports enter the country illegally, across the river from Argentina or over the accessible border with Brazil). But after only nine months in office Gestido died of a heart attack, mourned even by his political enemies as a nearly indispensable man. He was replaced by Vice President Jorge Pacheco Areco, a little known editor and career politician who had been nominated—as United States Vice Presidents often are—in an obscure political deal.

Pacheco seized the reins of office with more vigor than skill. Within weeks he closed *Epoca* and *El Sol*, two leftist opposition newspapers, and outlawed the Socialists and three

other minor parties. In lieu of a structural reform of the economy, he resorted to wage freezes and repeated devaluations, meeting labor protest by drafting strikers (there were 700 strikes during his first year in office) and imposing a state of emergency that allowed him to censor and close newspapers and imprison hundreds of leftists without trial. The four years and three months of his term (he leaves office in March, 1972) have seen an intensification of the national crisis: skyrocketing prices, long lines for meat and milk, soaring rents that the middle class cannot afford, factory closings, and unemployment of over 15 percent. As one despairing businessman put it:

This country is not to be taken seriously. We have no way out, we have no future. We may just as well consume everything we have, and then wait for the Americans to come and help us out.

The most ominous result of this mood of helplessness and distrust has been the rise of the Tupamaros,¹ an urban guerrilla force of some 1,000–2,000 middle class students, professionals and disgruntled bureaucrats that has succeeded in making the government look contemptible and ridiculous. Beginning as a sugar cane cutter's union organized in 1960 by Raul Sendic, a former law student, the Tupamaros moved to Montevideo late in 1963. Some of their early tactics were an annual "Poor People's March" on the capital, a raid on a Swiss rifle club in July, 1963, and the hijacking of a delivery van and turning its contents over to the slum dwellers of the Aparicio Saravia district on Christmas Eve, 1963.

Under Pacheco, the Tupamaros turned to more violent measures: bank robberies, destruction of business property (especially foreign-owned), seizures of radio stations, canteens, markets, movie theaters and army barracks for brief harangues against the regime, and the seizure of business records from offices and private homes with subsequent publication to expose fraud, tax evasion, and the dishonesty of public officials (Tupamaro-provided information has forced the resignation of three Cabinet members).

¹ Named after Tupac Amaru, an 18th century Inca rebel against Spanish rule who was hanged by the Viceroy of Peru.

One of the Tupamaros' most effective tactics has been political kidnapping, to raise funds through ransom and to demonstrate the government's inability to protect its own officials. Among those kidnapped and held for periods of from a few days to more than eight months were Ulises Pereyra Reverbel (1968), a close friend of President Pacheco and head of UTE (*Usinas Electricas y Telefonas del Estado*, the government power and telephone company); Gaetano Pellegrini Giampetro (1969), a leading banker who negotiated with the striking bank clerks; Brazilian Consul Aloysio Dias Gomide (1970), freed after his wife paid \$250,000 in ransom; Dan Mitrione (1970), an American adviser who was training Uruguayan Police and was murdered by his captors; Claude Fly (1970), an American agricultural adviser; Jorge Berembau (1971), a textile magnate for whom a ransom of \$300,000 was demanded; and British Ambassador Geoffrey Jackson. Although 15,000 police and soldiers with armored cars, dogs, and helicopters scoured the city and arrested leftist suspects without warrants, no hostage has ever been released except by the Tupamaros themselves. Tupamaro activity has damaged an already feeble economy by frightening off potential investors and ruining the important tourist business on Uruguay's lovely beaches; in 1971, the number of foreign visitors dropped from 300,000 to 200,000, and foreign exchange revenue from tourism fell over 30 per cent. Chaos and confusion are welcomed and promoted by the Tupamaros, who argue that everything must get worse until the Uruguayan people see the necessity and the inevitability of an armed revolution.

A NEW COALITION

A more sensible, political response to Blanco-Colorado collusion and incompetence has been the formation of a new coalition to challenge the old parties. The Christian Democrats, never as important in two-party Uruguay as they are in some other Latin nations, joined with the Socialists, Communists, and dissident Blancos and Colorados in the *Frente Amplio* (Broad Front) to contest the

1971 presidential, congressional, and provincial elections. Their platform, like their coalition strategy and populist appeal, was patterned on the Communist-Socialist combination that elected Salvador Allende in Chile in 1970. The Front's candidate, retired General Liber Seregni Mosquera, called for nationalization of Uruguay's private banks and foreign commerce, agrarian reform, a direct role for labor in managing private and public factories and ranches, and an end to "injurious agreements that infringe our sovereignty [and to] the country's dependence on foreigners and the pre-eminence of an oligarchy in direct connivance with imperialism." Though skeptical of electoral politics ("it is not by carefully elaborating political programs that one makes the revolution"), the Tupamaros tacitly endorsed the Front by damping down their activities during the last few months of the campaign.

Uruguayan presidential contests combine the features of a primary and a general election. Both Blancos and Colorados, permanently split for decades, name a number of presidential candidates under different *lemas* (emblems); this year there were nine altogether. The party with the greatest number of votes then wins the election, and the candidate of that party with the most votes for his *lema* is elected (Gestido and Pacheco thus won in 1966 with only 21 per cent of the total vote for their fraction of the victorious Colorado party). The 1971 election added the special feature of a plebiscite to permit Pacheco to run for a second consecutive term; if he could get some 750,000 votes, or one more than half the number of registered voters for this proposal, he could serve a second term, and his policy of "toughness" would be endorsed. The leading candidates were thus Pacheco; Juan M. Bordaberry, his Minister of Agriculture and vice presidential candidate, who would be the Pacheco *lema's* presidential candidate if the plebiscite failed; Senator Wilson Ferreira Aldunate, for the Blancos' leading *lema*; and the Front's Liber Seregni.

Pacheco's plebiscite proposal never had much chance of success; he is not a personally

popular man (as was Gestido), and his record was not appealing enough to make his retention in office seem essential to most Uruguayans. Whatever slim chance he had was decisively destroyed by a brilliant Tupamaro coup early in September, when the Tupamaros released 106 Tupamaro prisoners (Raul Sendic among them) from the maximum security Punta Carretas prison without violence or bloodshed. Pacheco's fulminations ("I will take all, hear me well, all the steps needed to defeat this subversion. . . . From now on, more than ever, the responsibility will be mine and only mine") only emphasized his government's weakening hold on authority.

In the elections, held without incident on November 28, the traditional Uruguayan politics of no consecutive reelection for Presidents and Colorado-Blanco domination held good. Pacheco's bid for a second term was rejected, but his party fraction elected Bordaberry by the tiny margin of only 10,000 votes out of 1.5 million cast. The Broad Front ran far behind, but made an impressive showing in view of the fact that it was organized less than a year before and had to combat political habits and loyalties that are more than a century old.

TABLE II: 1971 PRESIDENTIAL VOTE

Colorado Party (Juan M. Bordaberry):	575,690
Blanco Party (Wilson Ferreira Aldunate):	565,556
Frente Amplio (Liber Seregni Mosquera):	262,390

President-elect Bordaberry was a member of the outgoing administration which had been unable to find solutions for Uruguay's grave social and economic problems. His campaign was largely a negative one, asking his countrymen to vote against communism rather than for any program of reform and change. A typical Colorado billboard poster read:

WERE YOU AFRAID IN THE PAST? ARE YOU AFRAID NOW? HOW LONG HAVE YOU BEEN AFRAID? THINK BEFORE YOU VOTE, BECAUSE IF YOU DON'T YOU WILL BE AFRAID FOR THE REST OF YOUR LIFE.

Appeals to fear and to party loyalty, however effective they may be in winning elec-

tions, provide no clue as to how the new administration intends to pay its foreign debt; how it plans to curb inflation (which Pacheco did bring down from a terrifying 136 per cent in 1967 to a still serious but manageable 15 per cent in 1970); how it will get people off the pension rolls and out of the bureaucracy, consuming less and working harder. Bordaberry's options are even more limited than those Pacheco could count on five years ago. With the dollar itself under attack, Washington is not likely to be interested in propping up the peso. The new President, with only a minority faction in his own minority party to support him, has an uncertain mandate, especially in the eyes of the Frente's quarter of a million voters, one-fourth of the electorate. As for the Tupamaros, they may be expected to unleash their kidnapping and murder squads again, and state-of-siege tactics are no more likely to be successful for Bordaberry than they were for his predecessor. As a wit once remarked, you can "do anything with bayonets except sit on them."

Uruguay's future, then, remains as uncertain as ever. Despite the crumbling of public confidence in recent years, the nation still has the advantages it began with: democratic traditions, a homogeneous, intelligent population, good soils and a temperate climate. If the *Uruguayos* and their leaders can find the inspiration for Batlle-like reforms and the courage to carry them out, the little republic may well recover the ease and well-being of former days. If not, either the *Frente Amplio* (as in Chile), or the Tupamaros (as in Cuba) may inaugurate a still more radical-revolutionary break with the existing system. And in view of the Tupamaros' known connections with similar groups in Argentina and Brazil, any success they may have in establishing some form of dual government could have grave consequences for the rest of the southern continent and for the United States.

Samuel Shapiro is the author of *Invisible Latin America* (Boston: Beacon Press, 1963) and editor of *The Integration of Man and Society in Latin America* (Notre Dame: Notre Dame University Press, 1968).

“. . . Guatemalans today are living through what must be the most threatening period in the country’s 150 years of independence. . . .”

Guatemala: Edge of an Abyss?

BY JAMES NELSON GOODSELL
Latin America Editor, The Christian Science Monitor

GUATEMALA’S RUGGED mountain beauty belies the turmoil in which the country has been embroiled for more than a decade. The Central American country’s azure-blue, volcanic lakes nestled into peaceful valleys against clear blue skies lend an air of tranquility to the countryside which often makes the harsh reality of Guatemala’s political upheavals hard to comprehend. With such majestic scenic beauty, the country *ought* to be at peace. Yet Guatemala has enjoyed precious little stability and political peace in recent years. 1971 was no exception.

Indeed, the endemic guerrilla-terrorist activity intensified during the first half of the year, subsiding only slightly as the year came to an end. A heavy-handed approach by the government of General Carlos Arana Osorio in dealing with opponents may have been responsible for the decline, but the decline is not expected to be permanent. Indeed, the forecast for 1972 on the part of political observers in Guatemala is for more of the same and, in fact, stepped-up terrorism in the new year.

Behind this forecast is a feeling that political attitudes are polarizing, that leftist-oriented guerrillas are currently regrouping, and that rightist terrorists are attracting new semiofficial, if not official, support from circles close to President Arana. In such a climate, with few people seriously seeking a relaxation of tensions or a cooling of passions, the likelihood of new violence in the months ahead is the general forecast.

It will, nevertheless, have to reach far to surpass the past year’s turmoil. The killing of Adolfo Mijangos López, a respected, Sorbonne-educated law professor and the leader of an opposition bloc in congress, set the pattern of what was to follow. Shortly before 7 p.m. on January 13, 1971, Mijangos left his office in downtown Guatemala City in a wheelchair to which he had been confined for a decade. As he was about to be helped into his automobile by his chauffeur, several men with machineguns came up behind him and raked his body with bullets. It was clearly the most outrageous event of the year, and was generally blamed on ultraconservative paramilitary groups widely believed to be part of a pro-government apparatus.

Mijangos had been a consistent opponent of the Arana government, but was not associated with elements of the far left who have chosen terrorism as a way of life. Indeed, Mijangos was one of Guatemala’s most widely respected public officials and was head of the department of comparative law at the University of San Carlos in Guatemala City. His killing brought an outcry of protest against the violence of the right, and the government promised to investigate the case thoroughly. But a year later, there still have been no arrests for his murder. The police declared that neither witnesses nor clues could be found and in July reported that the case was closed unless new evidence could be uncovered.

The Mijangos case was the most shocking evidence of Guatemala’s turmoil, and pre-

saged a long list of killings, kidnappings and other forms of violence during the year. By July, the level of terrorist violence had reached new highs. In the first six months of 1971, an average of 30 politically-oriented killings were reported each month. The actual number may have been higher still, since many incidents were not reported in the press and government statistics are at best somewhat sketchy. A scorecard of the number of murders, kidnappings, bombings and other incidents would show, however, that, as the year ended, there had been at least 275 cases of clearly identifiable killings by terrorists of the right and the left, 125 kidnappings and 75 significant sized bombings in Guatemala City alone.

The groups responsible for these incidents are as varied as their political coloration. They range from the far right to the far left, including some highly sophisticated elements as well as other components that are quite crude in their approach. On the left, the terrorists are divided into three recognizable groups including the ultra-leftist Fuerzas Armadas Rebeldes (FAR) which today is a much less cohesive force than it was under the leadership of the late Luis Augusto Turcios Lima in the mid-1960's or later under his lieutenant, César Montes. The FAR has no particularly charismatic personalities in its midst, nor are there any great leaders in the group who have had military training in their backgrounds as was the case with Turcios and others. Still, the FAR is a potent force, able to carry off kidnappings and bombings with considerable success. It is credited with at least 75 of the kidnappings of 1971.

The other two leftist groups are the terrorist arm of the Partido Guatemalteco de Trabajo (P.G.T), the Guatemalan Communist Party, and the Movimiento Revolucionario 13 de Noviembre (MR13), the group founded and commanded for years by the late Marco Antonio Yon Sosa. It was from the MR13 that Turcios formed his own movement, the FAR, in 1964. Like the FAR, the MR13 today has no recognizable leadership and indeed is much less effective than the

FAR. The terrorist arm of the P.G.T., which in Guatemalan circles is often listed as P.G.T.-FAR, is also less active than the FAR.

On the right, the terrorist groups are of a different sort. They include at least two major groups, although there appears to be some question about whether members of one group may not also work for another group at one time or another. It is generally thought that many of those involved in the right-wing groups are off-duty policemen and army enlisted personnel, and that these groups are commanded by people either close to the government and the military, or at least able to maintain contact with government sources on a regular basis. Weapons used by the right-wing groups are similar to weapons used by the Guatemalan army.

The groups are known as Ojo por Ojo (Eye for an Eye) and La Mano Blanco (the White Hand). The very name Ojo por Ojo tells something of the philosophical bent of this rightist organization, which came into being with the expressed purpose of going after the leftist terrorists who had grown so strong in the mid 1960's. In the course of seeking out the leftist terrorists, who proved that they could easily elude police and army, Ojo por Ojo was by mid-1969 seeking out moderate leftist politicians, businessmen and others totally unconnected with the leftist terrorists. Some Guatemalans cite the killing of Mijangos in January, 1971, as a case in point. Although the government has closed the case as one of unsolved murder, suspicion runs high that Ojo por Ojo or some other rightist group was responsible for the killing.

Just who commands these right-wing groups is hard to tell. Like the leftists, there are no recognizable leaders. But the reason for this is quite different. "They do not want to reveal their identity at all," a government source told this writer during a recent visit to Guatemala. "They thrive on anonymity and practise their trade of violence without leaders in public view." This same source denied that the rightist terrorists had government support, but admitted that "they have eliminated some of our worst enemies." He refused to list who the "worst enemies" were.

General Arana, for his part, claimed in an interview that during his year and a half in office, he had achieved "positive results" in his program to pacify the country. Yet within days of this interview, new violence in Guatemala City had broken out, leaving four dead, 16 injured, and five others kidnapped. That pattern continued for the remainder of the year. And many observers in Guatemala City do not regard the Arana government efforts at pacification as a success. The leftist terrorists may be lacking charismatic leaders, but they still carry off their activities without too much interference. And right-wing terrorism, which may or may not have government support, continues unabated.

There are some signs that President Arana is concerned about the right-wing terrorism which so often smacks of wild-west vigilante activities and appears to be little more than a political vendetta on the part of conservatives to get rid of even moderate opposition.

For one thing, General Arana is disturbed by foreign press reporting of Guatemala's terrorist problems. Associates of the general say that he is moving to place some reins on such terrorism. The drop-off in the number of terrorist incidents in September and October, 1971, may have been due to this effort. Yet the decline was more the result of lessened leftist violence, which has since begun to pick up again.

On November 23, President Arana lifted a year-old state of siege, a form of modified martial law, an action which was widely viewed as evidence that the government was worried about foreign criticism, because imposition of the state of siege had been roundly criticized in United States and European newspapers. The government had originally imposed it on November 13, 1970, "to combat a wave of murders and kidnappings.

General Arana came to office in July, 1970, after emerging as victor in a three-way race for the presidency pitting him against Mario Fuentes Pieruccini, candidate of the Partido Revolucionario, then the government party, and Jorge Lucas Caballeros, supported by the Guatemalan Christian Democratic party.

General Arana, who was then a colonel, was a law and order candidate, representing a coalition of conservative parties, and he carried with him a majority of the congressional seats, winning 34 of the 57 seats in Congress for the government coalition, the Movimiento de Liberación Nacional (M.L.N.).

At the time of his inauguration, he surprised many with a strong commitment to social reform, although there were skeptics who questioned the new President's commitment. He was not regarded as one who looked kindly on social reform measures. On several occasions in the late 1960's, he had actually spoken out against proposals of this nature advanced by the government of Julio César Méndez Montenegro, then in power. Many of those who voted for him (some 42 per cent of the electorate chose him over the two others) did so because of his reputation as a guerrilla fighter.

But President Arana, confounding many of the skeptics and many of his original supporters, has pushed ahead with social reform measures. His government in late 1970 adopted a five-year development plan drafted by the previous government of Méndez Montenegro, and initiated a number of reforms involving banking, taxation, and land, that were not included in the plan. The government made much of the reforms, claiming that they deprive the leftist terrorists of many of their demands for economic development and social justice. Actually, however, the left—including the terrorists and those who work within the system—have steadily criticized President Arana, arguing that the development and reform measures adopted by the government are little more than rhetorical window-dressing.

Arana opponents point out that some 2 million Indian peasants, a little less than half of the country's 4.5 million inhabitants, lack schools, adequate housing, health clinics, employment opportunities, and land. Many of them live in highland communities away from Guatemala City and are consequently forgotten by many urban residents. Illiteracy among these Guatemalans runs higher than

80 per cent, and diseases are commonplace occurrences for most families, with life expectancy about 45 years in many communities. These peasants, some of whom speak Indian languages handed down from their Mayan forebears, are often employed as plantation workers, earning 50 cents a day for picking coffee and cotton. The big farmers count on the cheap wages of these Indians and have looked on previous social reform measures with disfavor, for many of these measures included increased tax payments by the wealthy land owners. Critics of Arana say he is merely trying to blunt the appeal of his opponents who have called for social reform, arguing that the President would not seriously consider new taxation to pay for social reform because it would bring down the opposition of his wealthy supporters.

But looking back on President Arana's first 18 months in office, he seems to have done just that. His basic program, which emphasizes rural development, calls for an investment of \$500 million in the next four years or so. Some foreign loans have been obtained from international and hemisphere sources. Their total to date is about \$45 million; another \$23 million was approved by the United States in the form of a long-term agricultural loan. But the bulk of the new investment, perhaps 75 per cent, will have to come from local sources, according to government officials. Taxation in the form of stepped up assessments is already in force and the government is looking at the possibility of new forms of taxation.

President Arana may not be the sort of social reformer that many Guatemalans desire, but on balance he appears to be more of a reformer than most observers had expected. He goes about the countryside, meeting with Indian councils and talking with small peasant groups, in an effort to get to know the problems of at least half his fellow countrymen. He argues that the twin problems of violence and backwardness both demand quick action on his government's part. "No delay in meeting our responsibilities can be permitted," he said in a recent speech.

The five-year development program has been announced in general terms, but some of the specifics are still being worked out. At present, the projects in the program fall into three general categories: improvement of agricultural production; expansion of education and health facilities; and the streamlining of public administration. Top priority is in the field of agriculture with a scheduled \$143.5 million committed to this area of the economy alone. Despite President Arana's interview comment on the distribution of land to the peasants, the program as officially adopted by his government does not mention redistribution, but rather puts emphasis on modernizing and diversifying agriculture.

The achievements of the program to date include the reorganization of the Ministry of Agriculture, the establishment of a bank to provide credit to small farmers, and the preliminary work on the creation of an institute of agricultural commercialization and a national export center. An agency to handle the storage and distribution of grains has also been set up. The long-range goals are much more ambitious. The whole development scheme envisages the expenditure of close to \$100 million in transportation and roads, with particular emphasis on countryside roads, another \$50 million for health, and a final \$40 million for education.

But after all is said and done about the development program, skeptics in Guatemala maintain they must be convinced of President Arana's sincerity. Moreover, there is the gnawing feeling among many of them that the program is little more than an effort to turn attention away from the terrorist problem and the government's approach to ridding the country of terrorism.

To be sure, President Arana has commitments to the conservative parties that backed him in the 1970 presidential campaign. Some of these parties are clearly represented in the composition of the Cabinet. Most of its members are from the conservative business community in Guatemala City. But so far they have not been particularly critical of the reform measures, perhaps because in the final

analysis the reform program is a mild one. It is a far cry from the program of substantial reforms embarked on by the government of Jacobo Arbenz in the early 1950's, a program that was cut short by the overthrow of Arbenz by Colonel Carlos Castillo Armas with the help of the United States in 1954.

Despite terrorism and other turmoil, Guatemala has been enjoying a period of economic prosperity that dates back to the final years of the Méndez Montenegro government. The nation's major exports—coffee, sugar, cotton and beef—have earned good prices in recent years and the new government took over in 1970 with \$60-million worth of foreign reserves. The currency, the *quetzal*, is stable and is traded on a one-for-one basis with the dollar. In 1969 and 1970, the nation's growth rate hovered just under 6 per cent, with increased industrialization helping to keep the figure high. Agriculture, which is still the mainstay of the economy, showed little growth, remaining stagnant in some sectors and increasing overall by only 1.3 per cent a year.

Behind this picture of generally satisfactory economic growth, however, the problems of rural backwardness and poverty return to haunt most Guatemalans who question their country's future. Moreover, the even more insistent issues of terrorism and violence remain unsolved. In the final analysis, these issues may well be the most important of all. Guatemalans also know that 1971 was the worst year yet for terrorism. The Mijangos killing in January was only the beginning. Rural mayors, university professors, opposition political leaders, radio station owners, labor leaders, student leaders and other community leaders were among those killed.

Most congressmen, Cabinet ministers and other government officials now have bodyguards. Businessmen seldom move from their homes to their offices or back again without a bodyguard. Foreign embassies are heavily guarded and so are the diplomats themselves. "There are more bodyguards working for my embassy," one European ambassador complained, "than there are diplomatic personnel in the embassy." His comment could be

echoed by most ambassadors. In the background is a gnawing fear of new ambassadorial or diplomatic killings or murders. The deaths at the hands of terrorists of United States Ambassador John Gordon Mein in September, 1968, and West German Ambassador Count Karl von Spreti in April, 1970, are still fresh in the minds of Guatemalans.

Just as terrifying to Guatemalans is the fear of kidnapping. Such abductions, particularly among businessmen, reached new highs in 1971. The most prominent victim was Roberto Alejos Arzú, a prominent businessman and one-time presidential candidate, who allowed his lands to be used by Cubans training for the abortive Bay of Pigs landing on Cuba in 1961. Alejos was kidnapped in August by unidentified but supposedly leftist terrorists and was released in December as a Christmas gesture.

To many in Guatemala, the pattern seems endless. All the government efforts to curb the terrorist wave have not proven too successful, despite claims to the contrary. Moreover, President Arana's development program and other efforts to eradicate some of the problems from which terrorism springs are still to be tested. They could have some effect. But it will be years before a valid assessment can be made. Meanwhile, the terrorism continues and while it may not be enough to bring down a government (particularly one headed by a military man) it is more than enough to harrass the government and create an unsettled climate in Guatemala.

"We live on the edge of an abyss," a Cabinet minister confessed recently in an off-the-record interview. "And we have been there for years and who knows how long we will remain there."

He may have overdramatized the point, but there is no doubt that Guatemalans today are living through what must be the most threatening period in the country's 150 years of independence.

James Nelson Goodsell has just returned from a tour of Guatemala and other Latin American countries. He is the author of many articles on Latin America.

CURRENT DOCUMENTS

U.S. Policy Toward Latin America: Where We Stand Today

On October 25, 1971, Assistant Secretary of State for Inter-American Affairs Charles A. Meyer delivered an address on United States policy toward Latin America to the Inter-American Press Association. Excerpts follow:

Trade—with good reason—is now considered the unwritten Magna Carta of Latin America's economic development. It offers potential for transferring resources indispensable to development and growth without the real or imagined infringing on national sovereignty that so often conditions bilateral and even multilateral loans and investment, private and public.

In 1969 and early 1970, the United States took the lead in urging the European Common Market countries and Japan to establish with us a system that would benefit the developing countries. The Common Market countries and Japan have since put their generalized preference systems into effect. We have delayed submission of legislation because, concurrent with our negotiations with Latin America, the United States trade and balance of payments position was deteriorating rapidly. This deterioration, coupled with a sluggish economy, created not only an unresponsive mood but a strong protectionist sentiment in Congress. In this unfavorable climate, the administration considered that not only was passage of a preference bill unlikely but that submission of a bill by the executive branch might be unwise.

Our inability to meet a commitment of such importance to Latin America has disappointed and dismayed many Latin American leaders and cast doubt on our sincerity.

I, for one, have tried to explain to our Latin neighbors in these past 2 years that readjustments in global claims on the U.S.A. have become a reality. Our commitments remain firm, but the timing of their implementation is not necessarily determined unilaterally. In today's world, every event everywhere has a ripple effect all over the world, and timing is affected by those ripples.

Our policy, as the President has said, is one of give-and-take, not take-it-or-leave-it. Our relationship is a two-way relationship that, in fact, transcends official policy to include ties that have been developed government to government, industry to industry, school to school, scientist to scientist, and

volunteer to volunteer. There are so many ties that no one has at hand even a partial catalogue.

And I hasten to add—in the event these remarks are interpreted by some as setting the stage for cutbacks in our official economic commitment to Latin America—that President Nixon has repeatedly reaffirmed our partnership in the development challenge. And he has backed that partnership with resources. Contrary to a popular misconception, economic assistance levels continue to match the annual average during the first 10 years of the Alliance for Progress. The difference is: bilateral aid levels have fallen and multilateral aid contributions have risen, largely in response to Latin American desires.

Inherent in President Nixon's policy concept was and is the recognition that differences of priorities, differences of interest, are to be expected but that in the spirit of negotiation not confrontation, differences can be manageable.

There are two significant differences of interest which require this spirit to the fullest. The first of these is what is broadly described as the territorial sea. The second of these is the role of foreign private investment. These differences are not new, are unresolved, and adversely color our total relationship in the minds of all too many of us at home and abroad who, on the one hand, evaluate all of Latin America in the light of the actions of one or more individual nations or who, on the other hand, sadly and inaccurately and negatively evaluate all U.S. interests as "imperialistic" or "exploitative."

During the balance of this century we simply must build on the concept of mature partnership. All of us face similar problems. No nation among us is developed if one accepts the fact that development is a career, not a destination. It never ends. Our community of interests will not prevent the emergence of differences. The give-and-take, the mutuality, the reciprocity, which we apply to solution of these differences will continue the tradition of the Americas.

BOOK REVIEWS

ON LATIN AMERICA

MAN AND SOCIALISM IN CUBA: THE GREAT DEBATE. EDITED AND WITH AN INTRODUCTION BY BERTRAM SILVERMAN. (New York: Atheneum, 1971. 382 pages, \$12.50.)

The controversy over social and economic policies which developed in Cuba in the early 1960's was aired in the press and in public speeches. Leaders of the Cuban government and European Marxists were drawn into the controversy, which the Belgian Marxist economist Ernest Mandel called the "Great Economic Debate." At the time (1962-1965), there were two systems of economic organization and ideology operating in Cuba—one regulating agriculture and foreign trade, the other regulating industry, which under Guevara's direction was moving rapidly toward centralization.

The conflict developed over such issues as centralization versus decentralization and moral incentives versus material incentives. While the conflict between revolutionary ethics and economic rationality continues to play an important part in Cuban socialism, the period of public debate and polemics has ended. "The final outcome of the debate," Professor Silverman points out, "will be significant not only for Cuba but for the future of socialism." In this volume he has included the most pertinent speeches and articles of the debate, including the contributions of Charles Bettelheim, Mandel, Guevara, Alberto Mora and Marcello Fernandez Font. Fidel Castro's July 26, 1968, speech is included in an epilogue to show his adoption of Guevara's position on moral incentive. The excellent introduction and informative notes supplied for all the articles and speeches add much to the value of the volume.

Mary M. Anderberg

THE MILITARY IN POLITICS: CHANGING PATTERNS IN BRAZIL. BY ALFRED STEPAN. (Princeton, N.J.: Princeton University Press, 1971. 271 pages, acknowledgments, tables, appendix, selected bibliography and index, \$10.00.)

Professor Stepan's searching analysis of the character of the Brazilian military organization and its changing role in Brazilian politics is a valuable addition to the recent literature on the political activity of the military in Latin America. He details the composition of the Brazilian army and its officers, noting the social and geographic origins of its members and their education and economic background. He examines civil-military relations in Brazil in the past, and describes the role of the military as one of "moderator of political activity," with both civilian elites and military officers subscribing to the theory that it is legitimate for the military to intervene in the political process and exercise temporary power, but illegitimate for it to direct the political process.

He points out that what may in the past "have been viewed as rapid, secret, or unilateral coups d'état by the military against civilian governments are now seen as slowly evolved, open, and dual responses of civilian and military elites to particular political crises, in which both civilians and the military look to the military for a resolution of the crisis." He traces the sequence of events in the 1960's which led to the breakdown of the "moderating pattern of civil-military relations and the emergence of military rule."

Finally, he studies the problems faced by the military in power. He questions the theory held by some military and political analysts that "the organizational and technological features of the military can make it a powerful instrument in the process of

political and economic development" because it is less subject to the weaknesses of a civilian government. He characterizes the present military dictatorship of Brazil as lacking in direction, without a program of action and lacking in popular support; "its resumed stability, unity and fixity of purpose have been largely illusory."

M.M.A.

THE END OF A TRADITION. CULTURE CHANGE AND DEVELOPMENT IN THE MUNICÍPIO OF CUNHA, SÃO PAULO, BRAZIL. By ROBERT W. SHIRLEY. (New York and London: Columbia University Press, 1971. 257 pages, preface, map, tables, appendices, glossary, bibliography and index, \$10.00.)

The effect of the rapid growth of the industrial cities on an isolated rural municipality is the subject of this excellent study. It is the product of 21 months of extensive field research in the municipality of Cunha and the rural area surrounding it. Located in the Paraíba Valley, Cunha was settled early in the period of Portuguese expansion into Southern Brazil. It is the oldest, largest and ~~most~~ famous of Brazil's "Dead Cities"—those centers which have remained isolated, poor and basically agrarian while the nation is being transformed into an industrial society. Professor Shirley's investigation reveals that the economic, political, educational, cultural and social organization of Cunha has undergone radical change, and while the area remains basically agrarian and backward, the proximity of São Paulo has allowed Cunha to share peripherally in the current Brazilian economic expansion.

The demand of the Paulistas for meat and milk have led to a rapid decline in Cunha of the production of the traditional crops of corn and beans and an increase in dairy production. The author points out that should industry fail and commercial demand cease, it is doubtful if Cunha could revert to subsistence peasant agriculture, as it did in the past when the

sugar economy and coffee economy failed.

M.M.A.

RIO GRANDE DO SUL AND BRAZILIAN REGIONALISM, 1882–1930. By JOSEPH L. LOVE. (Stanford, California: Stanford University Press, 1971. 259 pages, preface, explanatory note, pictures, notes, glossary and index, \$10.00.)

As Professor Love states in his preface, "If the genius of the Brazilian political elite has been to preserve the unity of an immense and underdeveloped nation, it is nonetheless true that regional cleavage is one of the constant themes of Brazilian history." His interesting study of Brazil's southernmost state during the era of the Old Republic is a solid contribution to the history of modern Brazil, concentrating as it does on an elemental force in Brazilian politics, and on a period which has received less attention than colonial and contemporary Brazil.

During the Old Republic, a loose federal system operated; cohesive political power existed only at the state level; and Rio Grande do Sul was politically one of the most important states. The alliance of the two coffee states, São Paulo and Minas Gerais, chiefly dominated Brazilian politics during the era, but three times, when the alliance faltered, politicians from Rio Grande attempted to gain control of the federal government: Pinheiro Machado in 1910, Borges de Medeiros in 1922 and, finally, Getúlio Vargas, in 1930, at the head of a revolutionary army. Vargas' victory brought down the Old Republic.

M.M.A.

AN INTRODUCTION TO BRAZIL. REVISED EDITION. By CHARLES WAGLEY. (New York and London: Columbia University Press, 1971. 312 pages, prefaces, map, illustrations, selected bibliography and index, hardbound, \$11.00, paper, \$2.95.)

Professor Wagley's superb interpretation of the Brazilian nation was first published in 1963. In this revised edition he pre-

sents new data on more recent developments and incorporates, in his words, "some of the insights garnered from studies which have become available to me since the book was first published." His lucid and brilliantly written study, which deals with the whole fabric of Brazilian life, remains the keenest, most sensitive introduction to that complex nation available in English.

M.M.A.

THE DYNAMICS OF CHANGE IN LATIN AMERICAN POLITICS. SECOND EDITION. EDITED BY JOHN D. MARTZ. (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1972. 392 pages and preface, paper, \$6.50.)

This volume offers a fine collection of readings on Latin American politics. Material from the work of such outstanding scholars as Charles Wagley, John J. Johnson, Albert O. Hirschman, Martin C. Needler, Rollie Poppino, and Federico G. Gil is included. In all, there are 26 selections dealing with the cultural, social and economic factors in the development of contemporary political forces in Latin America.

M.M.A.

ALSO ON LATIN AMERICA . . .

THE CUBAN MISSILE CRISIS. EDITED WITH COMMENTARY BY ROBERT A. DIVINE. (Chicago: Quadrangle Books, 1971 (paper.) 245 pages and bibliography, \$2.65, hardbound, \$8.95.)

THE CUBAN REVOLUTION: A RESEARCH-STUDY GUIDE (1959-1969). BY NELSON P. VALDÉS AND EDWIN LIEUWEN. (Albuquerque: University of New Mexico Press, 1971. 209 pages, introduction and index of authors, hardbound, \$7.50, paper, \$3.95.)

DOES FIDEL EAT MORE THAN YOUR FATHER? CONVERSATIONS IN CUBA. BY BARRY RECKORD. (New York and Washington: Praeger Publishers, 1971. 191 pages, \$5.95.)

FOREIGN ENTERPRISE IN MEXICO. LAWS AND POLICIES. BY HARRY K. WRIGHT. (Chapel Hill: The University of North Carolina Press, 1971. 362 pages, foreword, preface, tables, notes and index, \$15.00.)

THE GROWTH AND CULTURE OF LATIN AMERICA. SECOND EDITION. BY DONALD E. WORCESTER AND WENDELL G. SCHAEFFER. (New York: Oxford University Press, 1971. 1,113 pages, preface, maps, glossary and index, \$20.00.)

HAVANA JOURNAL. BY ANDREW SALKEY. (Baltimore, Md.: Penguin Books, Inc., 1971. 316 pages, \$1.65.)

LATIN-AMERICAN POLITICAL THOUGHT AND IDEOLOGY. BY MIGUEL JORRIN AND JOHN D. MARTZ. (Chapel Hill: The University of North Carolina Press, 1971. 447 pages, preface, bibliographies and index, \$12.50.)

MEXICO: BY ROBERT E. QUIRK. (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1971. 147 pages, map, acknowledgments and index, \$5.95.)

NEO-IMPERIALISM. BY ANÍBAL QUIJANA. Translated by Helen R. Lane. (New York and London: Monthly Review Press, 1971. 119 pages and appendix, \$6.50.)

THE POLITICAL ELITE IN ARGENTINA. BY JULIO A. FERNÁNDEZ. With a Foreword by Russell H. Fitzgibbon. (New York: New York University Press, 1970. 110 pages, tables and appendix, \$7.95.)

THE UNITED STATES AND THE CARIBBEAN. EDITED BY TAD SZULC. (Englewood Cliffs, N.J., 1971. 210 pages and index, hardbound, \$5.95, paper, \$2.45.)

M.M.A.

ARGENTINA

(Continued from page 75)

But despite what is apparently a sincere effort to allay Argentina's perennial divisions, there is substantial open and latent opposition to Lanusse's policies. Between May and November, 1971, there were two unsuccessful military uprisings against Lanusse. Although the senior officers as a whole seem to favor Lanusse and approve of his effort to offer the nation an electoral solution to its political problems, there is probably an important minority in a "state of deliberation," that is, officers who are not sure whom they should obey in a crisis of conflict between military factions. In May 11, 1971, in Tucumán, a small group of army officers, right-wing nationalist-populists, launched an abortive uprising. It folded almost immediately. Seven colonels were retired, three others were reprimanded, some others had their commands shifted, and a retired general, Eduardo Labanca, was asked to explain his connection to the affair, if any. The Levingston-appointed Governor of Tucumán was one of the prominent civilians allegedly involved. The revolt was a right-wing nationalist one: corporativist, antidemocratic, and opposed to elections.

The second unsuccessful military uprising occurred in early October, 1971. Preceded by an apparently unrelated crisis in the Navy¹⁰ which produced several resignations and the promise of the Navy Comander-in-Chief, Admiral Pedro Gnavi, to resign by the end of 1971, two armed regiments in the Argentine interior staged a brief rebellion. Lanusse was not only backed by the overwhelming majority

¹⁰ A number of naval officers believed that Admiral Gnavi had not done enough to prevent Lanusse from reducing CONASE to an Under-Secretariat. Until its down-grading, CONASE had been the only major Ministry under Navy control.

¹¹ Since Perón sacked Paladino, his official representative in Argentina, there are signs his movement will attempt to separate itself from the "Hour of the People" coalition. There is considerable disarray in the "political" wing of Peronism and the labor wing may try to form a labor party. It is still too soon to conclude anything definitive, however.

of the armed forces but demonstrated the political success of his "Accord" by receiving the support of all political parties, and the C.G.T. Apparently, Lanusse was well prepared for the revolt. The rebels were in the nationalist-populist line, possibly *perunistas*—those who admire the authoritarian military rule in Peru and some of the nationalist economic and social policies of Perón. General Levingston was also placed under arrest because, prior to the uprising, he had publicly accused Lanusse of leading a "counter-revolution," and during the colonels' revolt he had told a reporter, "This movement will terminate the corrupt regime of General Lanusse."

LABOR OPPPOSITION

Labor, too, is by no means unified in favoring a return to electoral politics. There is a growing alliance between the "participationist" and "expelled 8" unions to oppose not only elections but also the José Rucci leadership of the C.G.T. The "expelled 8" unions were those unions which would not strike in October, 1970, and were expelled from the C.G.T., and the participationist unions had cooperated much to their economic advantage with the Onganía and Levingston governments. These union leaders consider themselves quasi-independent of Perón and even go so far as to object to the Perón and Rucci-dominated C.G.T. backing of the pro-elections "Hour of the People" coalition.¹¹

The participationists are close to many nationalist officers with possible ties to the *perunistas*. Some observers consider these to be Argentina's most pro-fascist or corporativist unions.

Besides the "right-wing" nationalist unions which oppose Lanusse, there are left-wing opponents too. These include the now dissolved FIAT "company unions" in Córdoba, SITRAM and SITRAC, which are openly revolutionary and outside the C.G.T., the State Oil Workers Union (SUPE), the so-called moderate left of Moscow-line Communists and the presently small following of Raimundo Ongaro's Argentine C.G.T.

The effort to blur the great divisions holds many pitfalls for Lanusse. He has been

strongly attacked for the nationalist elements in his economic policy by the Co-ordinating Group for Free Enterprise Institutions (ACIEL). Undoubtedly, Lanusse recognizes that if as a result of elections the country is returned to Peronists or nationalist-populist control or if the prospect seems highly likely, there will be many liberal navy and army officers at the very least in a "state of deliberation."

Another sort of opposition to Lanusse which would probably exist in Argentina, as it has in Uruguay, whether or not there were an elected government, comes from terrorists. Commando-style actions, raids, bank robberies and the like have occurred so often in the past year that the armed forces have taken direct charge of anti-subversive activities. In April a guerrilla band robbed an army truck convoy and captured considerable quantities of arms and ammunition; another incident involved a raid on a clinic which led observers to believe that guerrilla forces have sufficient medical supplies to care for their own men who are wounded or injured in exchanges with authorities. Kidnapping for ransom or other political objectives is also common. Diplomats are favorite targets and this fact has already provoked an inter-American resolution calling for their protection. Retaliation has started from counter-terrorist groups, similar to the "death squads" in Brazil.

There is also considerable concern about the left-wing Catholic clergy. At the third national meeting of Third World priests held on May 2, 1970, in Santa Fe, Argentina, a resolution was passed that the movement "adhered to a revolutionary process that opted for a socialist Latin America, which necessarily implied socialization of the means of production, of culture, and of economic and political power," and the resolution also approved of violence to protest social injustice. There is growing evidence that Third World priests see themselves as taking over the heritage of Marx as Christian thinkers took over the heritage of Greece and Rome.

¹² See the extensive interview with Mugica and discussion of Third World priests in *Primera Plana* Año IX, No. 453, October 5, 1971, pp. 32-40.

Since the Medellin pronouncements of the Latin American bishops, this trend has become stronger. In Argentina, one of the leading priests in this group, Carlos Mugica, has openly connected the Third World priests with the nation's nationalist-populist tradition, and more particularly with Peronism.¹² Some of the kidnap-slayers of Aramburu were identified as followers of these priests.

LANUSSE'S FOREIGN POLICY

Lanusse's foreign policy fits his politics of an "electoral solution." The policy continues a popular continental nationalist position toward the United States but appears to have dropped the Onganía-developed strategic condominium role with Brazil in the Southern Hemisphere for the more traditional Argentine posture of seeking leadership of Spanish-speaking South America vis-à-vis Brazil. The continental nationalist position stresses Latin America's distinctiveness from the United States and places economic demands on North America. President Richard Nixon's 10 per cent surcharge on United States imports announced August 15, 1971, provided an excellent target for Argentine criticism. At the highly charged Inter-American Social and Economic Council (CIES) meeting in Panama in September, Argentina denounced the fact that there had been no previous consultation before the measure had been taken and called for a special meeting of the Special Committee for Consultation and Negotiation (CECON) to discuss future stabilization measures, import restrictions and the like. Also as a form of protest, the Argentine delegation refused to take further part in the Inter-American Committee for the Alliance for Progress (CIAP) discussions.

The reassertion of Argentina's role of opposing rather than cooperating with Brazil has popular features. It disassociates the government from a regime which is considered in many circles as repressive, and allows closer relations with the Marxist and left-wing nationalist governments in Chile and Peru, respectively. In Uruguay, there is growing alarm over Brazil's so-called "Operation 30

Hours," an invasion time-table for Brazil of Uruguay. The shift in Argentina's position is welcomed in Uruguay as a potential offset to the alleged Brazilian invasion plans. The new leader in Bolivia, Colonel Hugo Banzer, is also considered pro-Argentine. It has been reported that Banzer's successful coup d'état was planned in La Plata, Argentina, with the knowledge and presumably the assistance of Argentine authorities. Under Lanusse, there is more than just wishful thinking to Argentine claims of leading the Spanish-speaking nations of the southern cone of Latin America.

PROSPECTS

A fair appraisal of Argentina's prospects at this time must recognize that the bureaucratic oligarchies will dominate the country with or without elections. It is estimated that 40 per cent of the nation's economic activity is conducted by state enterprises, a percentage which apparently is higher than Sweden's or Communist China's. With or without elections, blame in the popular mind for what is wrong probably will continue to be placed on foreign monopolies, the brain drain, the comparative disadvantage of primary producing countries and the like.

In this bureaucratic system, with or without elections, the middle classes probably will continue to produce most of the terrorists and revolutionaries, with some support from maverick unions. The continuing inability of the middle sectors to understand the bureaucratic system under which they live, and their growing economic distress should make the available revolutionary ideologies attractive. The irrelevance of these ideologies to the nation's reality may make the extremist movement ever more regressive, leading to the depressing cycle of terror and counter-terror. That sector of the nationalist army which regards legitimacy as based on might and hopes to install a Caesarianism which "breaks the dictatorship of money and its political weapon, democracy" will try to return. Unions which tacitly recognize their oligarchic status will benefit.

But all factions are effectively within the

bureaucratic system. The middle class is not nearly so cohesive or significant. Labor's unions will not be abolished as were the middle class parties. The state enterprises should continue to grow in power.

On balance, Lanusse has emerged as an able and effective political leader. He may even become a successful political candidate in the elections in March, 1973, if they are held. Should Lanusse succeed in holding elections, having himself elected President and stabilizing and stimulating the economy, he will have managed an astonishing political feat.

But there are many traps facing the nation and Lanusse on their way to elections, constitutional Presidents, and economic responsibility. Even an elected President who is also a general will face formidable difficulties after taking office. Thus it seems likely that extremism, even terrorism, will continue in Argentina as ideological schisms, bureaucratic oligarchies and stagflation spawn discontent and frustration.

MEXICO

(Continued from page 85)

social justice was the Mexican Roman Catholic Church, always in the past regarded as a conservative force. In September, 1971, the Episcopal Commission for Social Action put out a report entitled "Justice in Mexico," which alleged that hitherto the Church had been a "spectator if not accomplice" in the oppression of the masses. Fidel Velásquez, Mexico's most important trade union leader, made himself the spokesman of those who attacked the report as an unconstitutional intrusion of the Church in secular matters.

It was an ironic commentary on the development of the Mexican Revolution, as well as a commentary on the changes that are taking place in the Church itself, that the principle of separation of church and state instituted by the Revolutionary leadership to prohibit the intervention of a conservative Church in Mexican politics should now be invoked by a "Revolutionary" labor leader against the Church's critique of the Mexican regime from a radical point of view.

PERU

(Continued from page 97)

placed optimism, investors are cautiously returning to Peru. In June, 1971, the government negotiated a 35-year contract with Occidental Petroleum, permitting the United States corporation to explore 2.7 million acres in the northeast jungle area near the Ecuadorian border. The discovery of large petroleum deposits—half of which must be turned over to *Petro-Perú* in lieu of royalties, most tax payments, and assurances on profit remissions—may lead to the investment of over \$500 million.¹⁸ This agreement has touched off a virtual “oil rush,” with British Petroleum, Shell, Texaco, Phillips, Tenneco, Union Oil, Sun Oil, Signal Oil and Amoco hurrying to file applications for exploration rights in the Peruvian Amazon. Meanwhile, Belco Petroleum has received a concession to drill off-shore in the northern Talara region.

Decree-law 18880, promulgated on June 9, 1971, now governs Peruvian mining, a pivotal sector of the economy which generated 50 per cent of the 1970 export earnings. This new legislation provides for active governmental participation in the extracting and refining stages and monopolistic control over marketing through *Minero-Perú*, a recently established state agency. The law, which establishes a Mineral Community similar to that which exists in the industrial sector, encourages through tax incentives mixed enterprises between Peruvians and foreigners, multinational ventures and reinvestment of earnings.

Mining has not had the same allure as oil for foreign investors. However, the Southern Peru Copper Corporation has submitted plans for the development of the Cuajone concession, although it has raised only \$48 million of the \$400 million required to finance the project, and the British Smelter Constructors Ltd. appears ready to take over

the Cerro Verde prospect, given up by *Anaconda* last year. Meanwhile, *Minero-Perú* is desperately trying to raise funds to exploit Quellaveco, Michiquillay and other copper deposits which have reverted to the state. It draws financial resources from the Corporación Financiera de Desarrollo (C.O.F.I.-D.E.), a new development agency which sells bonds to mobilize domestic and foreign capital to establish large-scale industries while serving as a holding company for the state in publicly-owned firms and private enterprises in which the state is involved.

Another instrument to mobilize capital is the Lima Stock Exchange, created on June 2, 1970, to replace the old Commercial Exchange, known for uncontrolled trading and haphazard record-keeping. Though it has a long way to go to match the buoyancy of the São Paulo securities market, trading increased sharply during its first year of operation.

In March, 1971, the government unveiled the long-awaited fisheries law, to cover a sector of the economy which generates one-third of the nation's export earnings. Predictably, the law reaffirms Peru's control of marine resources up to 200 miles from its coast, calls for the creation of a Fishing Community, and provides such incentives as preferential tax treatment, technical assistance, and low cost loans to promote fishing-based industries.

Like the General Law of Industries, decree-law 18810 encourages the “Peruvianization” of the fishmeal industry. Within 180 days of its implementation, foreign firms, which account for 40 per cent of total Peruvian production, must agree to turn over majority control to local investors. Factors such as the level of investment, the state of technology, and the need to earn “reasonable profits” will determine both the amount of equity that must be relinquished and the time period in which the transfer must take place.¹⁹ E.P.C.H.A.P., a state monopoly, now markets all fishmeal and fish oil produced in Peru.

CONCLUSION

Nineteen seventy-one demonstrated that

¹⁸ *BOLSA Review*, Vol. 5, No. 56 (August, 1971), p. 499.

¹⁹ *The Andean Air Mail & Peruvian Times* (Lima), April 2, 1971, pp. 2-3.

Peru's ruling generals are neither blind ideologues nor revolutionary zealots committed to revamping society at any cost. A confluence of factors—tensions within their ranks, investment needs, desire to protect the military as an institution, and their typically middle class concern over arousing the masses—have tempered their radicalism.

Still, accomplishments of the Revolutionary Government cannot be discounted. Peru has become the most active Latin American state, second only to Cuba, in Third World affairs; Industrial Communities involve workers in the ownership and management of most firms; and the government, through an alphabet soup of agencies, has centralized control over the economy, once dominated by boards of directors in New York, Tokyo and West Europe.

Contemptuous of traditional politics, Peru's uniformed leaders have so far failed to design a political forum for bargaining with opponents and linking—even symbolically—the people to national decision-making. In the absence of such a structure, one wonders how long the generals can deal with the desultory acts of opposition that confront them without relying heavily on violence and repression—behavior that might undermine their regime's legitimacy. Thus the future of the regime may depend on S.I.N.A.M.O.S., the newly created mobilization office.

BOLIVIA

(Continued from page 90)

levels and degrees of political involvement were sacked in droves. The patronage available was used to cement the precarious unity of the army/falangist M.N.R. alliance.

The two civilian parties obtained five ministries each, and in each of Bolivia's nine departments one party could nominate the prefect while the other nominated the mayor. However, the military retained three key ministries (Defense, Interior and Agriculture

⁹ For a fuller discussion see the author's article "The Bolivian Peso," in the *International Currency Review* (London) November/December, 1971 (Vol. 3, No. 5).

—the latter in control of peasant organization); while Industry and Hydro-carbons were both allocated to representatives of private enterprise. Effective power was in fact largely exercised by a number of "Barrientistas" (military associates of the former President) and *cruceños* (for the first time, natives of the boom city of Santa Cruz secured the Presidency, almost half the Cabinet, and a large number of important public posts). Both Falangists and the M.N.R. were torn by internal dissension over their collaboration with each other and with a regime they could do little to control.

The weakest and most expendable element appears to be Paz Estenssoro's faction of the M.N.R., which lacks weight so long as it is forbidden to organize a popular mobilization. The Falangists, always elitists, lose less from this and get more satisfaction from the spoils of office (the party has been in opposition for virtually all 34 years of its existence), but they too play a largely decorative role.

The new regime denounced the alleged economic chaos inherited from its predecessor, but in fact found itself obliged to follow not very dissimilar policies.⁹ Bolivia seems likely to follow an anti-Chilean and pro-Brazilian line in foreign policy, but the Foreign Minister's initial attacks on the Andean Group were quickly modified when the costs of leaving the group had been assessed. In the same way, generalized anticommunism has now been toned down, in view of the Soviet Union's willingness to continue extending substantial credit facilities. Even if President Banzer manages to survive in office longer than his recent predecessors (six, twelve and ten months respectively), it is unlikely that this will represent a very substantial change in either Bolivia's economic or foreign policy stands. In terms of the struggle for power among contending political forces within the country, on the other hand, the latest "revolution" has been pretty drastic. The bitterness of Bolivia's internal conflicts remains as intense as ever, and the unfortunate republic seems highly likely to undergo still further bouts of repression, betrayal and revenge.

ANNOUNCING . . .

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INTERNATIONAL

Berlin Crisis

Dec. 11—Two accords between the governments of West Germany, East Germany and West Berlin are initiated today making possible the completion of the Big Four treaty on Berlin. Negotiations have been going on since the framework agreement was signed on September 3. The pact will ease the problem of access to West Berlin from West Germany and will permit citizens of West Berlin limited access to East Berlin and East Germany.

Dec. 12—The access agreement through East German territory to non-Communist parts of Berlin is formally signed by the governments of the two Germanys. The agreement governing visiting into East Germany is still to be formally signed.

European Economic Community (Common Market)

Dec. 12—The last major issue to be resolved before Britain joins the E.E.C.—an agreement with regard to commercial fishing which would give Britain 10 years of independence of the Market's fisheries policy—is settled in Brussels.

Dec. 18—Britain and the E.E.C. will sign Britain's treaty of accession to the E.E.C. on January 22, 1972, it is announced in Brussels.

Federation of Arab Republics

Dec. 22—President Anwar el-Sadat of Egypt, President Hafez al-Assad of Syria, and Colonel Muammar el-Qaddafi of Libya meet in Cairo to discuss the formation of the political institutions of the Federation of Arab Republics. The 6-member Cabinet is to be selected within a month and the Legislative Assembly, consisting of 20 depu-

ties from each country, will meet for the first time in March, 1972.

Dec. 24—A federal Cabinet is established, headed by Ahmed al-Khatib, Speaker of the Syrian People's Assembly.

Indian-Pakistani War

(See also *Intl. U.N.; Pakistan*)

Dec. 4—India charges Pakistan with starting a "full-scale" war, as Pakistani planes bomb Indian airfields. Pakistan charges India with attacks in Kashmir.

Indian forces are penetrating into East Pakistan while countering Pakistani attacks in the West. Planes of both nations have engaged in combat.

Dec. 6—Pakistan severs diplomatic relations with India after Indian recognition of Bangla Desh in East Pakistan.

Dec. 7—India claims the capture of the East Pakistan city of Jessore.

Pakistani troops open a major offensive in Kashmir.

Dec. 9—Pakistan agrees to accept the U.N. General Assembly's call for a cease-fire, if India also accepts.

Dec. 14—The entire government of East Pakistan resigns.

Dec. 15—India suspends the bombing of Dacca, although she rejects Pakistani terms for a cease-fire. She calls for the complete surrender of Pakistani troops.

Dec. 16—President Yahya Khan of Pakistan admits that East Pakistan has been overcome, but pledges to continue the fight in the West until victory over India.

India orders a complete cease-fire in the war with Pakistan after Dacca (in East Pakistan) falls to Indian troops. The armistice is to apply to all fronts.

Dec. 17—Pakistan accepts the cease-fire after 15 days of war with India. The ac-

tion comes a day after the unconditional surrender of East Pakistan.

Dec. 18—Zulfikar Ali Bhutto, the Pakistani Deputy Prime Minister and Foreign Minister, is asked by President Yahya Khan to return from the U.S. to form a new government.

Middle East Crisis

(See also *Intl., O.A.U., U.N.*)

Dec. 1—6 more Arab guerrillas are killed by Israeli forces in the Gaza strip, bringing to 12 the number killed in the last week, according to Israeli reports.

Dec. 5—President Anwar el-Sadat of Egypt says that the U.S. failed to extract promised major negotiating concessions from Israel. Sadat says he promised Egyptian concessions if Israel would effect a first-stage withdrawal of her forces from the Sinai Peninsula.

Dec. 11—It is reported from Jordan that the Palestinian commandos have largely disappeared from Jordan although they remain a dominant factor in Jordanian politics.

Monetary Crisis

(See also *U.S., Foreign Policy*)

Dec. 19—The International Monetary Fund approves the new international currency exchange rates. U.S. Treasury Secretary John Connally says that the effective devaluation of the U.S. dollar will be 12 per cent.

Dec. 20—U.S. President Richard Nixon signs a proclamation lifting the 10 per cent import surcharge, imposed August 15.

North Atlantic Treaty Organization (NATO)

Dec. 7—Lord Carrington, British Defense Minister, presiding over a meeting of NATO's Euro-group, announces that the 10 European members of the alliance will increase their defense budgets in 1972 by a total of over \$1 billion, in addition to the \$1 billion already pledged for the next 5 years.

Organization of African Unity

Dec. 7—The report on the Arab-Israeli conflict of the Organization of African Unity is given to the U.N. General Assembly; the report urges Israel to open the way for negotiations with Egypt by reaffirming that she does not intend to annex Arab territory.

United Nations

(See also *India; Pakistan; Intl., O.A.U., Middle East Crisis*)

Dec. 4—The U.S. asks the U.N. Security Council to call for an immediate cease-fire in the Indian-Pakistani war.

Dec. 5—The Soviet Union vetoes the U.S. resolution calling for a cease-fire in the Indian-Pakistani conflict.

Dec. 6—Foreign Minister Abba Eban of Israel tells the General Assembly that Israel is prepared to resume negotiations with Egypt using the program drawn up by the Organization of African Unity as a basis for discussion.

Dec. 8—The U.N. General Assembly, meeting on the Indian-Pakistani conflict under a resolution known as Uniting for Peace, calls for a cease-fire in the Indian-Pakistani war.

Dec. 9—The U.N. International Atomic Energy Agency expels Nationalist China and admits the Peking government instead.

Former U.N. Under Secretary Ralph J. Bunche dies after a long illness.

Dec. 12—The U.N. Security Council is called into emergency session by the U.S. to press for a cease-fire in the Indian-Pakistani conflict.

Dec. 13—The General Assembly calls on Israel to withdraw from Arab territory she has occupied since 1967.

The Soviet Union again vetoes a U.S. resolution in the Security Council calling for an immediate cease-fire and the withdrawal to within their own boundaries of Indian and Pakistani troops in the war between the two countries.

Dec. 15—The General Assembly approves a resolution calling for relief for disaster-

stricken countries and for assistance in planning for future catastrophes.

Dec. 17—The Security Council, in a 4-hour session, fails to agree on a successor to retiring Secretary General U Thant.

Dec. 22—A day after his approval by the Security Council, Kurt Waldheim is elected by acclamation in the General Assembly as the new Secretary General to take office January 1, succeeding U Thant. A career diplomat, Waldheim has been Austria's chief delegate to the U.N.

War in Indochina

(See also *U.S., Military*)

Dec. 2—For the first time since 1965, a North Vietnamese MIG fighter is reported to have fired on a U.S. B-52 bomber.

The 20,000-man Cambodian force trying to reopen Route 6 to the northern provinces is reported to be in retreat, leaving large sections of the key road in the hands of the North Vietnamese.

Dec. 6—Cambodian troops committed to the opening of Route 6 are reported to have suffered more than 12,000 casualties.

Dec. 7—After the collapse of the Cambodian offensive, more than 10,000 Cambodian troops are reported to be marooned in Kompong Thom, 80 miles north of Phnom-penh.

Dec. 10—The 25,000-man South Vietnam force in eastern Cambodia destroys North Vietnamese installations 30 miles inside the Cambodian border.

Dec. 14—Part of the 25,000-man South Vietnamese force in eastern Cambodia seizes the rubber plantation town of Chup.

Dec. 18—South Vietnamese forces pull back from Chup for a "mobile third phase" of their operations across the Cambodian border.

Dec. 20—The U.S. confirms that 4 U.S. fighter-bombers were shot down over northern Laos this last weekend.

Dec. 25—With a Christmas cease-fire in effect in South Vietnam, at least 3 North Vietnam violations are listed by Saigon.

In Laos and Cambodia, the U.S. command reports bombing runs by U.S. B-52's

and helicopter gunship missions in support of the South Vietnam offensive in eastern Cambodia.

Dec. 27—The American command announces large-scale air attacks in North Vietnam, carried out by all U.S. aircraft available in Indochina.

Dec. 29—In the heaviest sustained raids since 1968, U.S. planes bomb Hanoi's supply and air installations.

Dec. 30—After 5 successive days of heavy bombing of North Vietnam, the U.S. raids cease.

ALGERIA

Dec. 21—Algeria and West Germany announce the resumption of diplomatic relations; Arab nations broke relations with West Germany in 1965 because West Germany was supplying arms to Israel.

ARGENTINA

Dec. 7—Mrs. Martinez de Perón arrives in Buenos Aires to try to unify the Peronist movement and to report back to her husband, exiled leader Juan D. Perón.

AUSTRALIA

Dec. 22—The Cabinet effectively devalues the Australian dollar 2.25 per cent after 3 days of debate.

BELGIUM

Dec. 21—Premier Eyskens Gaston gives up his attempt to form a new coalition government of Social Christians and Socialists.

BRAZIL

Dec. 7—President Emilio G. Medici arrives in Washington for a 3-day state visit.

BURMA

Dec. 11—Foreign Ministry sources report that Japan will provide \$71 million in yen loans for Burma's 4-year development plan.

CEYLON

Dec. 29—The constituent assembly presents a draft constitution to Parliament ending all ties with Britain and establishing an independent republic.

CHILE

- Dec. 1—At least 5,000 women protesting food shortages and the visit of Cuban Premier Fidel Castro are dispersed with tear gas in Santiago.
- Dec. 2—President Salvador Allende Gossens decrees a state of emergency; as violence continues, the army assumes power in Santiago.
- Dec. 8—The government assumes control of all food distribution in the nation.
- Dec. 10—The escudo is devalued by about 25 per cent.
- Dec. 11—Broadcasting by the radio station of the Christian Democratic party is suspended.
- Dec. 16—A protest rally against the Allende government is held by the Christian Democratic party, the nation's largest opposition party.
- Dec. 27—An influential member of the Soviet Politburo heads a top-level Soviet delegation to Santiago for the 50th anniversary celebration of the Chilean Communist party, according to *Tass*, the Soviet press agency.

CHINA, PEOPLE'S REPUBLIC OF (Communist)

- Dec. 5—In an interview in *The Sunday Times* (London) Premier Chou En-lai says that U.S. President Richard Nixon's mission to China could fail if the "Taiwan question" is not settled in the U.S.-Chinese talks, planned for February, 1972.
- Dec. 10—*The New York Times* reports that an article in *Hung Chi*, the official ideological journal, tells the Chinese people not to be upset by the party's factional disputes.
- Dec. 23—Officials in Hong Kong confirm that the Bank of China in Hong Kong has told them that China intends to keep her currency at parity with the pound sterling and the Hong Kong dollar; the Hong Kong dollar is to be revalued to keep it at parity with the pound.
- Dec. 31—The New China News Agency broadcasts an editorial from *Jenmin Jih Pao*, the party newspaper, which quotes Chairman Mao Tse-tung as declaring that

international disputes should be settled "through consultation."

Jenmin Jih Pao also reports that the total value of industrial and agricultural production rose about 10 per cent in 1971 over 1970.

CHINA, REPUBLIC OF (Nationalist)

- Dec. 10—A prominent journalist and former high-ranking member of the ruling party is sentenced to life imprisonment for sedition.
- Dec. 23—A Kuomintang party official reveals that the party's central committee has decided to hold national elections for the first time since 1947.

CUBA

- Dec. 4—Premier Fidel Castro leaves Chile after a 25-day visit.

CZECHOSLOVAKIA

- Dec. 9—Diplomats in Prague report that Foreign Minister Jan Marko has resigned; Marko is now First Deputy Chairman of the Federal Parliament. A Cabinet reshuffle is reported in the wake of recent elections.

EGYPT

- Dec. 9—Former Vice President Aly Sabry and 3 other former Egyptian officials are sentenced to life imprisonment at hard labor after conviction for conspiring to seize power in May, 1971.

In an interview with a *New York Times* correspondent, President Anwar el-Sadat says he has promised to allow the U.S.S.R. to continue to use Egyptian naval facilities for its Mediterranean fleet.

EIRE

(See *Irish Republic*)

FRANCE

- Dec. 7—After a long conference, the British and French governments agree on a pricing policy for the Concorde, their supersonic aircraft.

Dec. 15—The national oil companies of Algeria and France agree to settle their protracted dispute over Algeria's nationalization of French oil and gas interests.

GERMANY, FEDERAL REPUBLIC OF (West)

(See also *U.S., Foreign Policy*)

Dec. 10—The automobile industry management and the metal-workers union agree to settle a wage dispute after a 19-day strike.

A 2-year agreement reached by the U.S. and West Germany is made public; the German government is to pay more to maintain U.S. troops in Germany.

GREECE

Dec. 12—10,670 Greeks authorized to vote cast their ballots for 60 members of a "consultative committee on legislation," said by the government to be a kind of training ground for a new type of democracy.

Dec. 18—The release of political prisoners who have been banished to remote villages and the reduction of martial law are announced by Premier George Papadopoulos; in a speech to the nation he promises to restore "democracy not demagoguery." No date is mentioned.

INDIA

(See *Intl, Indian-Pakistani War*)

Dec. 31—President V. V. Giri signs the 26th constitutional amendment making India's 278 maharajas commoners; the former rulers will lose \$6.4 million in annual pensions and other princely privileges. The 26th amendment was approved earlier this month by both houses of Parliament.

IRISH REPUBLIC

Dec. 6—Visiting London, Prime Minister John Lynch declares that "the Constitution of a united Ireland is negotiable": it could be rewritten to make it more acceptable to Protestants if Northern Ireland and the Irish Republic were unified.

Dec. 17—Lynch warns that the activities of the Irish Republican Army will be curbed within Ireland's borders; he charges

that I.R.A. seeks "a united Ireland of shambles."

ISRAEL

(See also *Intl, Middle East Crisis; U.S., Foreign Policy*)

Dec. 13—Premier Golda Meir returns to Tel Aviv.

ITALY

Dec. 8—Former Premier Amintore Fanfani is nominated as the presidential candidate of the Christian Democratic party.

Deputy Chairman Francesco de Martino is named as the presidential candidate of the Socialist party.

Dec. 24—On the 16th day of the deadlocked electoral college election, a moderate Christian Democrat, Giovanni Leone, is elected 6th President of Italy.

JAPAN

Dec. 3—Defense Minister Naomi Nishimura is dismissed; Masumi Esaki is named to succeed him.

Dec. 27—The Diet ends a special session without passing 4 measures regulating the return of Okinawa from the U.S. The Okinawa measures will be submitted to the next session, which opens December 29.

JORDAN

Dec. 17—The government formally charges Al Fatah, the Palestinian guerrilla organization, with responsibility for the November assassination of Premier Wasfi Tal, and for this week's attempted assassination of Jordan's Ambassador to London and an explosion at the Jordanian mission to the U.N. in Geneva.

Dec. 19—It is reported from Beirut that late last week the air force commander was removed from his post in what is believed to be a quiet purge of the military.

KOREA, SOUTH

Dec. 6—President Park Chung Hee declares a 6-point national emergency program.

Dec. 27—Park signs a bill giving himself broad emergency powers.

LIBYA

Dec. 7—British oil interests are nationalized; all Libyan deposits in British banks are withdrawn by the Libyan government. The nationalization is a protest against what the Libyans regard as British collusion in Iran's seizure last week of Abu Musa and the Tumb islands in the Persian Gulf.

Dec. 14—Britain expels Libya from the sterling area.

MALAYSIA

Dec. 25—4 ministries are added to the Cabinet, including a ministry for national unity which is to handle racial difficulties.

MALTA

Dec. 29—After receiving a demand from Prime Minister Dom Mintoff asking an immediate payment of \$11 million for the use of Maltese base facilities, Great Britain reveals that she will withdraw all military forces from Malta.

Dec. 31—Informed British sources say that Mintoff has extended the deadline for the withdrawal of British troops to January 15.

PAKISTAN

(See also *Intl. Indian-Pakistani War*)

Dec. 20—Pakistan is returned to civilian rule for the first time in 13 years as Zulfikar Ali Bhutto, leader of the nationalist-socialist Pakistan People's party, is sworn in as President and Chief Martial Law Administrator, replacing retiring President Agha Mohammad Yahya Khan. Yahya Khan and six other ranking army generals are retiring from the army on Bhutto's order.

Dec. 21—Bhutto names Nuruk Amin, a Bengali, as Vice President, and says that Bengali leader Mujibur Rahman will be moved from prison and placed under house arrest.

Dec. 23—It is reported in Rawalpindi that Mujibur Rahman has been brought to the city to negotiate with President Bhutto.

Dec. 24—Bhutto names a commission to analyze the military defeat in East Pakistan.

Dec. 27—Bhutto announces that his talks with Mujibur have begun.

PHILIPPINES

Dec. 15—President Ferdinand E. Marcos announces that the government has decided to establish formal diplomatic and trade relations with some East European nations; the Philippines has not recognized any Communist nations for 25 years.

POLAND

Dec. 6—The Polish Communist party's Sixth Congress is opened by party chief Edward Gierek.

Dec. 11—4 younger "candidate" or alternate Politburo members are named to the 11-member Politburo, replacing 4 deposed members.

Dec. 17—The Sixth Congress approves a resolution made public today recommending more internal discipline for the party.

Dec. 22—Premier Piotr Jaroszewicz announces the replacement of 5 Cabinet ministers.

TURKEY

Dec. 3—Premier Nihat Erim and half the Cabinet resign.

Dec. 11—Erim announces that he has formed a new Cabinet and declares that the political crisis "is finished."

Dec. 15—The Premier says that his new Cabinet has the "complete understanding" of the military.

UNION OF ARAB EMIRATES

Dec. 2—The independence of the Union of Arab Emirates is proclaimed at Dubai; Zayd ben Sultan of Abu Dhabi is President.

U.S.S.R.

(See also *Chile*)

Dec. 7—The government announces that the spacecraft Mars 3 has released a capsule that has made a soft landing on Mars; this is the first soft landing on that planet.

Dec. 12—The government announces that its hydroelectric plant near Krasnoyarsk on the Yenisei River has been completed; this is the world's largest hydroelectric plant.

Dec. 24—The nonconvertible ruble is realigned with 22 foreign currencies.

UNITED KINGDOM

Great Britain

(See also *Irish Republic, Malta*)

Dec. 1—The British plan for a settlement with Rhodesia is approved in the House of Commons, with a vote of 297 to 269.

Dec. 2—The Treasury reveals that in November British reserves of gold and foreign currency reached their highest level since World War II—\$377.3 million.

Northern Ireland

Dec. 20—At least 9 targets in downtown Belfast and 4 on the outskirts are bombed; the death toll in Northern Ireland since rioting started in August, 1969, is 203.

UNITED STATES

Civil Rights

Dec. 15—Huey P. Newton, Black Panther leader, wins dismissal of charges that he killed an Oakland, California, policeman. Newton had been in prison almost two years and had been tried three times.

Dec. 23—A panel of 3 federal judges declares the Texas public school financing system unconstitutional and orders the Texas state legislature to devise a new educational financing method. The Texas system is essentially like every other state (except Hawaii) in its primary dependence on the local property tax. The judges rule that this type of financing makes educational expenditures a function of local wealth, discriminates against children of poorer communities, and violates the 14th Amendment's guarantee of equal protection of the laws. The ruling is essentially the same as an August, 1971, ruling of the California State Supreme Court, and an October, 1971, ruling of a United States District Court in Minnesota, except that Texas is ordered to take corrective action.

Demonstrations and Student Unrest

Dec. 7—The state of Ohio drops the 20 remaining Kent State disorder cases for lack of evidence. Five cases have been tried.

Economy

(See also *Foreign Policy, Government*)

Dec. 3—The Labor Department reports that the nation's unemployment rate rose 0.2 per cent to 6 per cent of the labor force in the month of November.

Dec. 16—Secretary of Housing and Urban Development George Romney says that homebuilding reached a monthly high in November, virtually insuring that 1971 will be a record year, with housing starts approaching 2.1 million units.

Dec. 24—The United States automobile industry ends 1971 production after producing more than 8.5 million cars—the third highest production total in automotive history.

Dec. 27—The Commerce Department reports that the nation's surplus of imports over exports in November was \$227.2 million, compared to the record deficit of \$821.4 million in October. The department says the trade deficit figures continue to be distorted by dock strikes.

Foreign Policy

Dec. 1—The United States suspends the licensing of arms shipments to India in response to the crossing of the Pakistani border by Indian troops.

Dec. 2—Premier Golda Meir of Israel and President Richard M. Nixon confer for 2 hours in Washington, D.C.

Dec. 3—The United States cancels the remaining export licenses for shipment of military and sensitive equipment to India.

Dec. 6—The State Department announces that the United States is cutting off \$87.6 million in development loans to India.

Prime Minister Pierre Trudeau of Canada and President Nixon meet in Washington.

Dec. 7—President Emilio G. Medici of Brazil is welcomed by President Nixon as he begins a 3-day state visit in Washington.

White House officials, defending the administration's condemnation of India, state that the United States was trying to arrange a political settlement involving con-

- cessions from Pakistan when India attacked.
- Dec. 8—The United States and Portugal negotiate a 5-year extension of the agreement granting the United States the use of air and naval bases in the Azores. The pact also provides for economic aid to Portugal in the form of up to \$435 million in economic and social development credits.
- Dec. 14—President Nixon and President Georges Pompidou of France conclude 2 days of talks in the Azores with a broad agreement on the basis for a settlement of the world monetary crisis involving the devaluation of the dollar and a revaluation of some other currencies.
- Dec. 18—On behalf of the Group of Ten finance ministers meeting in Washington, D.C., President Nixon announces that an agreement has been reached including the devaluation of the dollar by 8.57 per cent, the removal of the United States 10 per cent import surcharge, and the revaluation of other currencies upward versus the dollar. Secretary of the Treasury John B. Connally estimates that the overall effect of the agreement will be an effective devaluation of the dollar by 12 per cent.
- Dec. 21—President Nixon and Prime Minister Edward Heath of Great Britain conclude two days of talks in Hamilton, Bermuda, and pledge to strengthen the Atlantic alliance.
- Dec. 23—Secretary of State William P. Rogers says the recently increased air activity in Southeast Asia is "essential for the continuation of the Vietnamization program."
- Dec. 28—At a conference in Key Biscayne, Florida, the President tells West German Chancellor Willy Brandt that he will not negotiate a separate agreement with the U.S.S.R. on troop withdrawals from Europe when he goes to Moscow in May, 1972.
- Dec. 30—Administration sources reveal that the U.S. has decided in principle to resume selling F-4 Phantom warplanes to Israel. Details are still to be worked out.
- The National Aeronautics and Space Agency announces that it has reached an agreement with the Soviet Academy of Science to exchange detailed information on the biological effects of space flight.

Government

- Dec. 1—The Price Commission allows the Old Ben Coal Company to pass on to consumers only 60 per cent of the 15 per cent wage increase recently granted in the coal industry and warns that business cannot automatically expect price increases to cover "inflationary" wage increases, even those approved by the Pay Board.
- Dec. 2—A Senate-House conference committee drops the Democratic plan for financing the 1972 presidential campaign with federal tax revenue.
- The Senate confirms Earl L. Butz as Secretary of Agriculture by a vote of 51 to 44.
- The Nixon Administration announces a \$50-million program to create public works jobs in high unemployment areas. The first phase of the program involving \$27 million and 7,000 jobs is to be implemented by the end of February, 1972. The program was authorized by Congress in August, 1971.
- Dec. 6—The Senate confirms the nomination of Lewis F. Powell, Jr., to the Supreme Court. The vote is 89 to 1.
- Dec. 7—The Board of Governors of the United States Postal Service names Elmer T. Klassen to become Postmaster General, effective January 1, 1972.
- The Price Commission grants the United States Steel Corporation an average price increase of 3.6 per cent, less than had been expected.
- Dec. 9—President Nixon vetoes the bill establishing a national system of child development and day care.
- The Congress passes and sends a tax-reduction bill to the President. The bill increases the personal exemption for the individual taxpayer to \$750 from \$675 over the next two years and increases the tax-free allowance for low-income persons. It reinstates the 7 per cent investment tax credit for business taxpayers.
- Dec. 10—By a vote of 68 to 26, the Senate

confirms the President's nomination of William H. Rehnquist to the Supreme Court. Dec. 11—David Packard resigns as Deputy Secretary of Defense.

Dec. 13—Packard says that at least \$1 billion a year could be saved if political considerations did not preclude the closing of various military bases.

Dec. 14—Congress passes and sends to the President a surprise rider on a minor bill; the amendment requires most able-bodied recipients of welfare payments to sign up for work or training as a condition of continued eligibility for such payments.

Congress approves legislation extending presidential authority to control wages, prices and rents through April, 1973.

John P. Donnelly, assistant for public affairs for the National Aeronautics and Space Administration, says some information about the Russian space program received through official channels by the space agency is being withheld from the American public at the request of the Soviet Union.

Dec. 15—Congress votes to extend unemployment compensation benefits in areas of high unemployment for an additional 13 weeks at an estimated cost of \$274 million to the federal Treasury.

Congress approves a \$70.5-billion Defense Department appropriations bill.

The Price Commission imposes a 2.5 per cent limit on rises in doctor's fees and a 6 per cent ceiling on rises in hospital charges.

Dec. 16—The White House orders the Department of Health, Education and Welfare to reduce its staff by about 11,400, or 10.2 per cent.

Dec. 17—Congress passes legislation permitting the foreign aid program to continue obligating funds at an annual rate of \$2.8 billion until February 22, 1972.

The first session of the 92d Congress adjourns.

The Pay Board announces that it will limit increases in executive compensation, including salaries and benefits, to the same 5.5 per cent guideline applicable to wage earners.

Dec. 19—President Nixon signs the Alaska land claims bill which provides for compensation consisting of 40 million acres and \$962.5 million for Alaska's 55,000 Eskimos, Indians and Aleuts.

Dec. 20—President Nixon signs a proclamation formally ending the 10 per cent surcharge on imports which he imposed August 15.

Dec. 22—The Price Commission says that tenants whose dwellings are not covered by state or local controls will probably pay 3 to 3.5 per cent more rent annually.

Dec. 23—President Nixon commutes the prison term of James R. Hoffa, former president of the International Brotherhood of Teamsters. Hoffa cannot "engage in the direct or indirect management of any labor organization" until March 6, 1980, the date his full sentence for jury tampering and pension fund fraud would have ended.

President Nixon signs the bill which authorizes the spending of \$1.6 billion over the next three years on cancer research and related activities.

The Treasury Department says that the last of the reciprocal international Kennedy Round tariff cuts will become effective January 1, 1972, as scheduled. The average cut in United States duty rates will be 0.5 per cent and the average duty rate after the cut will be 9 per cent.

Dec. 28—Signing the bill requiring most able-bodied welfare recipients to seek work, President Nixon praises its "work-fare" provisions.

Dec. 30—A federal grand jury indicts Daniel Ellsberg on 12 criminal charges for giving the media the classified Pentagon Papers. (See *Current History*, August, 1971, p. 127.)

Military

Dec. 9—The Army drops murder and assault charges against Brigadier General John W. Donaldson, who was accused of killing 6 South Vietnamese civilians on 6 separate occasions in 1968-1969.

Dec. 17—Colonel Oran K. Henderson is ac-

quitted of charges that he covered up the killing of civilians at Mylai, in South Vietnam, in March, 1968. This is the last Mylai incident trial; of the 25 originally charged, only First Lieutenant William L. Calley, Jr., was found guilty.

Dec. 27—Secretary of Defense Melvin R. Laird says that large-scale bombing raids in Vietnam are justified by the protection they afford American servicemen, and because of violations by North Vietnam of the 1968 understanding.

Laird also says that there may be no draft calls until April, 1972.

Politics

Dec. 17—Eugene J. McCarthy (D., Minn.) enters the race for the Democratic presidential nomination by announcing he will enter the Massachusetts primary April 25.

Dec. 23—Representative Paul N. McCloskey (R., Calif.) files his entry in the New Hampshire presidential preference primary in opposition to President Richard M. Nixon.

Dec. 28—New York's Mayor John Lindsay announces that he is a candidate for the Democratic presidential nomination.

Supreme Court

Dec. 29—Former Supreme Court Justice John Marshall Harlan dies.

YUGOSLAVIA

Dec. 2—*Tanyug*, official press agency, publishes a statement by President Tito harshly critical of Croatian regional leaders for not preventing the student strike in Croatia.

Dec. 15—It is reported from Vienna that more than 100 arrests have been made in Croatia following 3 nights of student violence.

Dec. 18—Speaking to a trade union congress in Belgrade, Tito declares that if the Croatian rioting had gone unchecked there would "perhaps be shooting, a civil war, in six months' time."

Dec. 22—Addressing a mass rally, Tito says he will use the army to put down opponents of the government. He refers specifically to rioting in Croatia.

BRAZIL

(Continued from page 69)

the next three years, and gives every evidence of serious intent to bring formal schooling within the reach of the entire urban school-age population and a larger portion of the rural populace than ever before. The program involves a nation-wide campaign to eliminate illiteracy among seven million adults of working age by 1974, and a restructuring of the school system from top to bottom in order to improve and extend primary training and to break the traditional barriers restricting admission successively to junior high school, high school and the university.

The major emphasis at present is to encourage a drastic increase in the number of students at the secondary level, largely by expanding the system of reimbursable scholarships that have benefitted half a million working class students since 1964. High school and university curricula are also being modified to include more intensive instruction in basic sciences. The near-term results should be a substantial increase in the number of qualified supervisory personnel and a labor force better equipped to keep pace with the expansion and modernization of industry.

Brazil's military leaders are aware that their educational policies cannot fail to produce social change. They recognize that in a nation where formal schooling has traditionally been regarded as a privilege which separates the fortunate from the mass of the population more education for more people may lead to greater social unrest. They know that every new literate adult adds to the electorate, and represents a potential vote against the regime. Médici's focus on education as the key to Brazilian progress surely involves a calculated risk that the new students may use their newly acquired skills to make revolution rather than to promote social welfare by peaceful means. In any case, his administration is prepared to take that risk in order to secure the numbers of trained scientists, technicians, and engineers Brazil must have if the goal of national development is to be attained.



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